MAKATI FINANCE CORPORATION
MORE THAN JUST FINANCING

June 26, 2020

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307

Attention : **HON. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance and Finance 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 of Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2020 (SEC Form 17-Q) of Makati Finance Corporation.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/CIO

3/F Mazda Makati Building, 2301 Chino Roces Avenue, Makati City 1231 Philippines
Telephone Nos. (632) 7751-8132
Website: www.makatifinance.ph

COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

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

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

MARCOS E. LAROSA
Contact Person

(02) 7751-8132
Company Telephone Number

1 2 *Month* **3 1** *Day*
Fiscal Year
2020

SEC Form 17-Q
1st Qtr.2020
FORM TYPE

0 7 *Month* *Day*
Annual Meeting
Every last Thursday of July

Financing
Secondary License Type, If Applicable

C R M D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

109
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2020**

2. Commission identification number **28788**

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

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

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

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

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

7. Address of issuer's principal office Postal Code

(**0632) 7751-8132**

8. Issuer's telephone number, including area code

7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**262,948,243***

**as reported by the stock transfer agent as of March 31, 2020*

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)

	2020	*2019*
NET INTEREST INCOME RATIO	77.09%	85.17%
EBIT MARGIN	43.28%	35.39%
RETURN ON ASSETS (ANNUALIZED)	0.82%	1.26%
DEBT TO EQUITY	162.74%	97.07%
RETURN ON EQUITY (ANNUALIZED)	2.16%	2.48%

Net interest income as of end of 1st Quarter of 2020 ended at P33.86 million, slightly lower versus same period last year of P34.49 million, mainly due to lower collections in March 2020 in compliance with the government imposed Bayanihan Act extending a mandatory extension of due dates to customers, as a result net interest income ratio, ended at 77.09%, which is computed by deducting the cost of borrowings from the gross interest revenues. However EBIT margin, which measures profitability performance as annualized net income before interest expenses and taxes over the total interest income, ended at 43.28% in 2020 higher versus 35.39% in 2019 mainly due to higher Gross Interest Income in 1st Quarter of 2020 amounting to P43.93 million from just P40.5 million in the same period last year. Return on assets was 0.82% in 2020 as against 1.26% in 2019. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 2.16% in Mar 2020 as against 2.48% in March 2019. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

The Company has no expected capital expenditures in 2020.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱2.83 million for the first quarter of 2020. Net interest income for the quarter ending March amounted to ₱33.86 million, slightly lower by ₱0.63 million versus ₱34.49 million in 2019 . The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses incurred amounted to ₱32.58 million as of March 2020. The Company continues to provide allowance for doubtful accounts within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱1,377.37 million as of March 2020, 3.98% higher from ₱1,324.63 million as of December 31, 2019. The increase is primarily due Loans Receivable which grew by 5.86% or ₱59.81 million from ₱1,020.20 million in December 31, 2019 to ₱1,080.01 million as of March 2020 due to loans released this quarter. Total liabilities amounted to ₱853.13 million as of March 31, 2020, 6.21% higher from ₱803.22 million in December 2019 due to loan availed in the first quarter of 2020.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

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

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

Date ……June 26, 2020

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

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

Date ……. June 26, 2020

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2020
With Comparative Figures for 2019

MAKATI FINANCE CORPORATION

INTERIM BALANCE SHEET

FOR THE PERIOD ENDING MARCH 31, 2020, 2019 AND DEC. 31, 2019

	MARCH 31, 2020 (Unaudited)	DEC. 31, 2019 (Audited)	MARCH 31, 2019 (Unaudited)
Assets			
Cash and Cash Equivalents *(Note 6)*	**₱55,396,006**	₱62,726,271	₱35,280,28
Receivables *(Note 7)*	**1,080,011,671**	1,020,201,707	753,787,338
	₱1,135,407,677	₱1,082,927,978	₱789,067,622
Property & Equipment - net *(Note 8)*	**8,493,023**	9,226,046	6,953,010
Investment Properties *(Note 9)*	**62,795,977**	62,964,857	61,471,497
Right-of-use assets *(Note 20)*	**23,882,655**	23,882,655	
Deferred Tax Asset *(Note 17)*	**59,664,287**	61,209,971	68,660,546
Other Assets - net *(Note 10)*	**87,126,068**	84,417,823	83,776,321
Total Assets	**₱1,377,369,687**	₱1,324,629,330	₱1,009,928,996

	MARCH 31, 2020 (Unaudited)	DEC. 31, 2019 (Audited)	MARCH 31, 2019 (Unaudited)
Liabilities			
Notes Payable *(Note 11)*	**748,117,465**	709,309,048	432,708,568
Accounts Payable *(Note 18)*	**34,667,355**	29,715,348	31,820,733
Accrued Expenses *(Note 12)*	**36,744,714**	31,397,530	25,526,693
Income tax payable *(Note 17)*	**1,229,492**	726,531	-
Lease liabilities *(Note 20)*	**28,094,989**	28,094,989	-
Other Payables	**-**	-	7,398,858
Retirement benefits liability – net	**4,274,808**	3,974,808	
Total	**853,128,823**	803,218,254	497,454,852
Stockholder's Equity			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	**262,948,243**	262,948,243	231,572,111
Additional Paid in Capital	**5,803,922**	5,803,922	5,803,922
Retained Earnings	**248,566,443**	226,860,794	265,783,544
Remeasurement gains on retirement assets	**4,092,469**	4,092,468	6,137,696
YTD Net Income	**2,829,787**	21,705,649	3,176,871
Total	**524,240,864**	521,411,076	512,474,144
Total Liabilities and Capital	**1,377,369,687**	1,324,629,330	1,009,928,996

MAKATI FINANCE CORPORATION

INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE QUARTER ENDING MARCH 31, 2020, 2019 and DEC. 31, 2019

	MAR. 31, 2020 (Unaudited)	DEC. 31, 2019 (Audited)	MAR.31, 2019 (Unaudited)
Interest Income – Loans	**43,927,940**	173,297,706	40,499,276
Cost of Borrowings	**10,063,143**	25,933,893	6,005,881
Net Interest Income	**33,864,797**	147,363,813	34,493,395
Less: Provisions	**1,036,149**	15,493,762	3,654,195
Net Interest Income After Provision	**32,828,648**	131,870,051	30,839,200
Other Income	**4,631,944**	28,339,534	6,805,631
Net Revenue	**37,460,592**	160,209,585	37,644,831
Operating Expenses:			
Loss from sale and write-down of MC inventories	**162,284**	60,937.00	3,692,140
Salaries and Wages	**15,075,342**	58,700,908	13,116,811
Taxes & Licenses	**4,071,323**	17,506,834	2,720,526
Occupancy costs	**5,422,078**	3,890,312	4,045,426
Management & Professional Fees	**1,637,737**	6,438,464	2,135,249
Transportation	**1,256,698**	5,929,455	1,469,514
Commissions	**99,977**	1,127,396	1,185,586
Depreciation & Amortization	**1,448,608**	19,050,881	1,135,916
Entertainment, amusement and recreation	**243,534**	1,046,408	215,389
Amortization of software cost	**115,635**	318,282.00	50,561
Operating Expenses	**29,533,216**	114,069,877.12	29,767,118
Other Operating Expenses	**3,048,945**	11,727,273	2,270,472
Total	**32,582,161**	125,797,150	32,037,590
Net Income Before Income Tax	**4,878,431**	34,412,435	5,607,241
Provision for Tax/Deferred Tax Adjustment	**2,048,644**	12,706,786	2,430,370
Net Income After Tax	**2,829,787**	21,705,649	3,176,871
Remeasurement gains on retirement	**-**	2,045,228	
Total Comprehensive Income	**2,829,787**	19,660,421	3,176,871
RETAINED EARNINGS, BEGINNING	**248,566,443**	265,783,544	265,783,544
RETAINED EARNINGS, QUARTER/YEAR-END	**251,396,230**	248,566,443	268,960,415
BASIC EARNINGS PER SHARE*	**0.01**	0.09	0.01

***As of March 31, 2020, and December 31, 2019,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION

INTERIM CASH FLOW STATEMENTS

FOR THE PERIOD ENDING MARCH 31, 2020 AND 2019

	MAR. 31, 2020 (Unaudited)	MAR. 31, 2019 (Unaudited)
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	**4,878,431**	3,176,871
Adjustments for:		
Provisions for probable losses	**1,198,432**	7,346,335
Depreciation and amortization	**1,332,973**	1,135,916
Software Amortization	**115,635**	50,561
Retirement Benefit Expense (Income)		300,000
Loss (gain) from sale of motorcycle units	**(1,198,698)**	(1,564,068)
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	**(60,586,389)**	(18,679,704)
Other Assets	**(1,806,763)**	(3,191,611)
Increase (decrease) in the amounts of:		
Accounts Payable	**4,952,008**	13,901,737
Other Payable	**5,641,981**	5,112,149
Net cash provided by (used in) operating activities	**(45,472,390)**	7,588,186
Income Tax Paid	**-**	-
Net Cash provided by (used in) operating activities	**(45,472,390)**	7,588,186
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	**(666,291)**	(1,001,022)
Pre-termination of short-term money market placement	**-**	-
Proceeds from Sale of Property and Equipment	**-**	-
Net cash provided by (used in) investing activities	**(666,291)**	(1,001,022)
Cash Flow From FINANCING Activities	**-**	-
Cash dividend paid		
Loan Availments	**64,947,958**	10,557,959
Payment of Preterm Loan	**(26,139,542)**	(42,592,274)
Net cash provided by (used in) financing activities	**38,808,416**	(32,034,315)
Net cash provided by (used in) Cash and Cash Equivalents	**(7,330,265)**	(25,447,152)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**62,726,271**	60,727,435
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**55,396,006**	35,280,284

MAKATI FINANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDING MARCH 31, 2020 AND 2019 AND DECEMBER 31, 2019

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	31-Mar-19 (Unaudited)
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	**262,948,243**	231,572,111	**231,572,111**
Stock dividends	**-**	**31,376,132**	
Issuance during the year	**-**		
	262,948,243	**262,948,243**	**231,572,111**
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	**248,566,443**	**265,783,544**	**265,783,544**
Transition of PFRS 16 *(Note 3)*		(6,170,402)	
Stock dividends	**-**	(31,376,132)	-
Cash dividends	**-**	(1,376,216)	-
Total Comprehensive Income	**2,829,787**	**21,705,649**	3,176,871
Balance, end of quarter/year	**251,396,230**	**248,566,443**	**268,960,415**
Remeasurement gains on retirement assets	**4,092,469**	**4,092,468**	6,137,696
Net unrealized loss on investments	-	-	-
Total Equity	**524,240,864**	**521,411,076**	**512,474,144**

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019
(WITH COMPARATIVE FIGURES AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019)

1. Reporting entity

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

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

Amalgamated Investment Bancorporation(AIB) owns 42.81% of the Company as at March 31, 2020 and December 31, 2019.

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

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

As at March 10, 2020, the Company’s closing price at the PSE amounts to ₱2.00 per share.

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

2. Basis of preparation and statement of compliance

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

<u>Basis of Preparation</u>
The financial statements of the Company have been prepared on the historical cost basis.

<u>Functional and Presentation Currency</u>
The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest peso (₱), except when otherwise indicated.

3. Significant accounting policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) -15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to *classify* leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Company is the lessor.

  The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4 and under which the cumulative effect on initial application is recognized in retained earnings at January 1, 2019.

  The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed under "Leases" of this note.

  Leases previously accounted for as operating leases
  As a lessee, leases previously classified as operating lease, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if PFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

  The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

  - Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of PAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied exemption not to recognize right-of-use assets and liabilities with less than 12 months of lease term.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The effect of transition to PFRS 16 as at January 1, 2019 follows:

	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1, 2019 *(as restated)*
Assets			
Other assets – net	₱80,748,175	(₱3,680,462)	₱77,067,713
Right-of-use assets	—	38,129,874	38,129,874
Deferred tax assets – net	70,430,319	1,067,117	71,497,436
	151,178,494	35,516,529	186,695,023
Liabilities and Equity			
Lease liabilities	—	41,686,931	41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	265,783,544	35,516,529	301,300,073

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019 specific for each lease agreements as follows:

Operating lease commitment as at December 31, 2018	₱51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
Lease liabilities as at January 1, 2019	₱41,686,931

Right-of-use assets and lease liabilities were recognized and presented separately in the statements of financial position.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

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

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income (OCI)or equity according to where the entity originally recognized those past transactions or events.
- Annual Improvements 2015-2017 Cycle

    - PFRS 3, *Business Combinations*
      The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint

operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- PFRS 11, *Joint Arrangements*
  An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- PAS 12, *Income Taxes*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where it originally recognized those past transactions or events.

  An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

  Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

- PAS 23, *Borrowing Costs*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

The adoption these new and amended PFRS did not have any material effect on the financial statements, except for PFRS 16. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* – The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

- Deferred effectivity - Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Financial assets and financial liabilities

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

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

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

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial assets and liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

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

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognize OCI (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in OCI are not subsequently transferred to profit or loss.

As at March 31, 2020 and December 31, 2019, the Company does not have financial assets and liabilities at FVPL.

Financial assets at amortized cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2020 and December 31, 2019, the Company's cash and cash equivalents, loans and receivables, security deposits and other investments under other assets are included under this category (Notes6,7 and 10).

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

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

As at March 31, 2020 and December 31, 2019, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses and lease liabilities are included under this category (Notes 11,12, 18 and 20).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

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

As at March 31, 2020 and December 31, 2019, the Company's other investment under other assets is included under this category (Note 10).

Reclassification

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

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

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

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

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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

Impairment of financial assets at amortized cost

The Company records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of financial assets and liabilities

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

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

<u>Loans and other receivables</u>
Loans and other receivables are amounts due from customers for services performed in the ordinary course of business.

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

Property and equipment

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

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

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

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

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

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

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

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

Investment properties

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

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

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

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

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

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

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

Investment in an associate

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

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

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

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

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

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

Repossessed assets

Repossessed assets are carried at cost, which is the fair value at recognition date. The Company recognizes repossessed assets at cost less impairment. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets is presented under "Other assets" account in the statements to financial position.

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

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

All other expenditure is expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

Accounts payable and accrued expenses

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

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

Provisions and contingencies

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

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

Capital stock

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

Retained earnings

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

Revenue recognition

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

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

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

Interest income on loans and other receivables. Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

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

Miscellaneous - miscellaneous are recognized as revenue as the penalties and other charges accrues.

Gain or loss on sale of repossessed assets - Gain or loss on sale of repossessed assets is recognized when the Company disposes of its repossessed assets. Gain or loss is computed as the difference between the proceeds of the disposed repossessed assets and its carrying amount.

Expense recognition

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

Foreign currency denominated transactions and balances

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

Retirement benefit costs

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

Retirement benefit costs comprise the following:

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

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

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

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

Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

<u>Leases</u>
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before January 1, 2019, the Company determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.

Company as a lessee. The Company recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The right-of-use asset is subsequently depreciated using the straight line method over the shorter of the estimated useful life of 3 to 15 years or the lease term.

In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments option renewal period if the Company is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases. The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Notes payable
Notes payable are recognized initially at transaction price (that is, the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently stated at amortized cost using EIR method, which ensures that any finance costs even the period of repayment is a consistent rate in the balance of the liability carried in the statements of the financial position.

Notes payable are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after financial reporting date.

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

Earnings per share
Basic earnings per share (EPS) is computed by dividing the profit to the weighted average number of common shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding and assume of all dilutive potential ordinary shares.

Segment reporting
The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the financial statements.

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

4. Use of Judgments, Estimates and Assumptions

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Determination whether an arrangement contains a lease **-** The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 20.

Company as lessee. The Company has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Notes 20.

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

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

As at December 31, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Determining the lease term of contracts with renewal and termination options – Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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

Determining significant increases in credit risk and estimating allowance for credit losses - The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

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

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

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

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

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

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

As at December 31, 2019 and 2018, allowance for credit losses amounted to ₱123.67 million and ₱108.18 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱1.02 billion and ₱738.59 million as at December 31, 2019 and 2018, respectively (Note 7).

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

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

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

As at March 31, 2020 and December 31, 2019, the Company did not recognize impairment on property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 8,9 and 10.

As at March 31, 2020 and December 31, 2019, the carrying value of repossessed assets amounted to ₱78.52 million and ₱76.62 million, respectively. Provision for impairment loss of repossessed assets amounted to ₱0.16 million, ₱0.06 million and ₱6.36 million in 2020, 2019 and 2018, respectively (Note 10).

Realizability of deferred tax assets - The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 17.

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

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

The Company's net retirement liabilities amounted to ₱3.97 million as at December 31, 2019 and net retirement plan assets amounted to ₱0.24 million as at December 31, 2018, respectively (Note 15).

Leases - Estimating the incremental borrowing rate - The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair Value Measurement

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

Cash Equivalents

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

Loans and Other Receivables

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

Other investments

Debt securities. Fair values are generally based on quoted market prices. If the prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow method methodology.

Equity securities. Fair value are generally based on quoted market prices. For equity securities with quoted bid and offer prices, fair values are based on the price within the bid-offer spread that is most representative of the exit price in the circumstances. If the market prices are not readily available, fair values are estimated using values obtained from independent parties offering pricing services.

Notes Payable

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

Accounts Payable and Accrued Expenses (excluding payable to government)

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

5. 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 grants Rx cash line product- loans tailored to medical professionals.

MFC Factors Group

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

MC Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

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

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

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

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

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

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

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

Financial information about operating segments follows:

	March 31, 2020 (Unaudited)				
	Rx Cash Line	**Business Loans and Factoring**	**Motor Vehicles Financing**	**Others**	**Total**
Loans and Other Receivables	**₱203,488,122**	**₱537,538,374**	**₱824,129,779**	**₱81,415,327**	**₱1,646,571,602**
Results of operation					
Revenues					
Interest Income	**6,008,682**	**12,820,304**	**20,503,343**	**4,595,612**	**43,927,941**
Other Income	**73,688**	**1,378,784**	**1,005,704**	**2,173,769**	**4,631,945**
	₱6,082,370	**₱14,199,088**	**₱21,509,047**	**₱6,769,381**	**₱48,559,886**
Expenses					
Interest expense	**1,376,487**	**2,936,913**	**4,696,967**	**1,052,776**	**10,063,143**
Provision for credit losses	**163,928**	**349,761**	**559,368**	**125,377**	**1,198,434**
Operating Expenses	**3,153,893**	**6,518,704**	**20,117,958**	**2,629,320**	**32,419,875**
	₱4,694,308	**₱9,805,378**	**₱25,374,293**	**₱3,807,473**	**₱43,681,452**
Net operating income(loss)	**1,388,062**	**4,393,710**	**(3,865,246)**	**2,961,908**	**4,878,434**
Less: Income tax expense	**496,454**	**1,488,878**	**(886,471)**	**949,785**	**2,048,646**
Net Income(loss)	**₱891,608**	**₱2,904,832**	**₱ (2,978,775)**	**₱2,012,123**	**₱2,829,787**
Statement of Financial Position					
Total Assets	**128,730,257**	**521,797,290**	**669,237,930**	**57,604,210**	**1,377,369,687**
Total Liabilities	**89,313,292**	**322,182,119**	**401,786,714**	**39,846,698**	**853,128,823**
Other segment information					
Capital expenditures	**₱69,753**	**₱251,623**	**₱313,794**	**₱31,120**	**₱666,290**
Depreciation and amortization	**₱151,653**	**₱547,063**	**₱682,232**	**₱67,659**	**₱1,448,607**

	March 31, 2019 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱159,060,990	₱383,300,485	₱516,312,351	₱128,902,683	₱1,187,576,509
Results of operation					
Revenues					
Interest income	6,182,862	15,369,080	13,910,643	5,036,691	40,499,276
Other income	485,685	2,837,781	1,258,555	2,223,610	6,805,631
	₱6,668,547	₱18,206,861	₱15,169,198	₱7,260,301	₱47,304,907
Expenses					
Interest expense	662,175	1,843,915	2,375,504	1,124,287	6,005,881
Provision for credit losses	2,100,338	4,834,050	-999,442	1,411,389	7,346,335
Operating expenses	2,397,642	6,540,688	16,571,913	2,835,207	28,345,450
	₱5,160,155	₱13,218,653	₱17,947,975	₱5,370,883	₱41,697,666
Net operating income (loss)	₱1,508,392	₱4,988,208	-₱2,778,777	₱1,889,418	₱5,607,241
Less: Income tax expense (benefit)	452,518	1,496,462	-80,035	561,425	2,430,370
Net income (loss)	₱1,055,874	₱3,491,746	-₱2,698,742	₱1,309,993	₱3,176,871
Statement of financial position					
Total assets	₱107,735,402	₱379,895,802	₱420,950,685	₱101,347,107	₱1,009,928,996
Total liabilities	₱62,834,871	₱191,283,542	₱183,552,934	₱59,783,505	₱497,454,852
Other segment information					
Capital expenditures	₱-	₱-	₱-	₱-	₱-
Depreciation and amortization	₱151,158	₱450,627	₱440,642	**₱144,045**	**₱118,6472**

	December 31, 2019 (Audited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱198,505,250	₱508,035,629	₱797,568,423	₱72,926,495	₱1,577,035,797
Results of operation					
Revenues					
Interest Income	29,548,067	57,293,673	78,055,306	8,400,660	173,297,706
Other Income	3,879,713	8,274,360	12,724,762	3,460,699	28,339,534
	33,427,780	65,568,033	90,780,068	11,861,359	201,637,240
Expenses					
Interest expense	4,421,850	8,573,962	11,680,928	1,257,153	25,933,893
Provision for losses	1,320,276	14,763,990	(826,940)	297,373	15,554,699
Operating expenses	15,160,656	27,414,200	77,473,253	5,688,104	125,736,213
	20,902,782	50,752,152	88,327,241	7,242,630	167,224,805
Net operating income	12,524,998	14,815,881	2,452,827	4,618,729	34,412,435
Less: Income tax expense	3,764,260	8,119,065	(540,683)	1,364,144	12,706,786
Net Income	₱8,760,738	₱6,696,816	₱2,993,510	₱3,254,585	₱21,705,649
Statement of Financial Position					
Total Assets	₱127,847,598	₱492,291,230	₱652,786,156	₱51,704,346	₱1,324,629,330
Total Liabilities	₱87,334,140	₱296,623,707	₱384,149,599	₱35,110,808	₱803,218,254
Other segment information					
Capital expenditures	₱1,185,783	₱3,034,781	₱4,764,323	₱435,631	₱9,420,518
Depreciation and amortization	₱2,106,014	₱7,152,916	₱9,263,555	₱846,678	₱19,369,163

6. Cash and Cash Equivalents

This account consists of:

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Cash on hand	**₱2,803,898**	₱2,567,191	**₱3,561,002**
Cash in banks	**28,562,937**	36,588,695	**7,255,402**
Cash equivalents (Note21)	**24,029,171**	23,570,385	**24,463,880**
	₱55,396,006	₱62,726,271	**₱35,280,284**

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2019 and in 2018. Interest income on cash in banks amounted to ₱12 thousand, ₱0.05 million, and ₱13 thousand in March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

As of March 31, 2020, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to ₱0.52 million, ₱1.77 million, ₱0.52 Thousand March 31, 2020, and December 31, 2019 and March 31, 2019, respectively (see Note 18).

7. Loans and Other Receivables

This account consists of:

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	19-Mar-19 (Unaudited)
Receivables from customers			
Consumer	**₱1,249,897,289**	₱1,190,077,491	₱902,707,062
Services	**382,184,790**	373,759,437	271,305,423
Other receivables	**14,489,523**	13,198,869	13,644,023
	1,646,571,601	1,577,035,797	1,187,656,508
Unearned interest income	**(405,921,259)**	(395,846,762)	(293,246,310)
Allowance for credit losses	**(124,709,290)**	(123,673,142)	(111,833,573)
Clients equity	**(35,929,381)**	(37,314,186)	(28,789,287)
	₱1,080,011,671	₱1,020,201,707	₱753,787,338

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

Loans and receivables according to product type:

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	19-Mar-19 (Unaudited)
Motorcycle financing	**601,429,894**	589,853,279	504,681,847
Business loans	**415,583,120**	383,913,894	287,336,196
Rx cash line	**202,591,950**	197,609,078	159,060,990
Receivables purchased	**121,955,254**	177,443,684	95,964,289
Car Loans	**190,046,146**	124,121,735	92,613,254
Corporate salary loans	**6,780,861**	6,982,861	5,038,940
	1,538,387,225	1,479,924,531	1,144,695,516
Personal Loans	**28,077,380**	25,518,103	-
Leisure Bike Loans	**22,544,723**	20,162,444	-
Pension loans	**20,049,343**	15,035,371	1,393,708
Housing loans	**11,752,607**	11,925,678	11,040,771
Accrued interest receivable	**11,270,801**	11,270,801	11,630,504
Sales contract receivable	**1,368,200**	1,368,200	1,368,200
Advances to officers and employees	**1,379,148**	265,978	468,636
Due from affiliates	**101,007**	101,007	101,007
Miscellaneous receivables	**11,641,167**	11,463,684	16,958,166
	₱1,646,571,601	₱1,577,035,797	₱1,187,656,508

Miscellaneous receivables consist of receivables from employees resulting from Company loans, other related parties (Note 18) and other non-related parties.

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

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱43.7 million and ₱171.48 million in March 31, 2020 and December 31, 2019, respectively.

Motorcycle financing receivables amounting to ₱494.31 million and ₱345.12 million in March 31, 2020 and December 31, 2019, respectively, were used as collateral on notes payable to banks (Note 11).

The following table shows the breakdown of loans (gross of allowance for credit losses) as to secured and unsecured and the breakdown of the unsecured loans and the breakdown of secured loans as to type of security as at December 31, 2019 and 2018:

	2019	**%**	2018	%
Secured loans				
Chattel mortgage	**₱568,158,106**	**49.67%**	₱417,458,924	49.30%
Real estate mortgage	**275,528,746**	**24.09%**	221,106,372	26.11%
Other collaterals*	**120,166,855**	**10..50%**	102,017,477	12.05%
Total secured	**963,853,707**	**84.26%**	740,582,773	87.46%
Unsecured	**180,021,142**	**15.74%**	106,189,556	12.54%
	₱1,143,874,849	**100.00%**	₱846,772,329	100.00%

**Other collaterals pertain to deposits, assignment of receivables and salary*

Movements in allowance for credit losses follow:

	March 31, 2020 (Unaudited)			
	Receivable from Customers			
	Services	**Consumer**	**Others**	**Total**
At January 1	**₱12,163,820**	**₱106,922,558**	**₱4,586,764**	**₱123,673,142**
Provisions during the year	**163,928**	**746,843**	**125,377**	**1,036,148**
At March 31	**P12,327,748**	**P107,669,401**	**P4,712,141**	**P124,709,290**

	March 31, 2019 (Unaudited)			
	Receivable from Customers			
	Services	**Consumer**	**Others**	**Total**
At January 1	**P16,501,357**	**P72,945,970**	**P3,164,814**	**P92,612,141**
Provisions during the year	**441,476**	**24,528,457**	**2,309,962**	**27,279,895**
At March 31	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**

	December 31, 2019 (Audited)			
	Receivable from Customers			
	Services	**Consumer**	**Others**	**Total**
At January 1	**₱10,462,137**	**₱93,251,527**	**₱4,465,716**	**₱108,179,380**
Provisions during the year	**1,701,683**	**13,671,031**	**121,048**	**15,493,762**
At December 31	**₱12,163,820**	**₱106,922,558**	**₱4,586,764**	**₱123,673,142**

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

In 2019, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million as a result of the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19) pandemic (Note 23). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the collectability of loans and other receivables onwards.

8. Property and Equipment -Net

The roll forward analysis of this account follows:

	March 31, 2020 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱17,400,728	₱7,476,840	₱12,288,195	₱37,165,762
Additions	431,070	—	(240,000)	191,070
At March 31	₱17,831,798	₱7,476,840	₱12,048,195	₱37.356.832
Accumulated Depreciation				
At January 1	15,547,029	5,831,212	6,561,475	27,939,715
Depreciation	382,002	318,490	463,601	1,164,093
Adjustment	-	-	-240,000	- 240,000
At March 31	₱15,929,031	₱6,149,702	₱6,785,076	₱25,863,809
Carrying Amount	₱1,902,767	₱1,327,138	₱5,263,119	₱8,493,023

	March 31, 2019 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,667,508	₱7,476,840	₱8,716,395	₱31,860,743
Additions	830,876	—	—	830,876
At March 31	₱16,498,384	₱7,476,840	₱8,716,395	₱32,691,619
Accumulated Depreciation				
At January 1	14,298,934	4,548,243	5,924,395	24,771,572
Depreciation	283,542	323,985	359,510	967,035
Adjustment	17,169	-	(17,169)	-
At March 31	₱14,599,645	₱4,872,228	₱6,266,736	₱25,738,609
Carrying Amount	₱1,898,740	₱2,604,612	₱2,449,658	₱6,953,010

	December 31, 2019 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,667,508	₱7,476,840	₱8,716,395	₱31,860,743
Additions	1,733,218	—	4,771,800	6,505,018
Disposal	—	—	(1,200,000)	(1,200,000)
At December 31	17,400,726	7,476,840	12,288,195	37,165,761
Accumulated Depreciation				
At January 1	14,298,934	4,548,243	5,924,395	24,771,572
Depreciation	1,230,926	1,282,969	1,614,248	4,128,143
Disposal	—	—	(960,000)	(960,000)
At December 31	15,529,860	5,831,212	6,578,643	27,939,715
Carrying amount	₱1,870,866	₱1,645,628	₱5,709,552	₱9,226,046

In December 31, 2019, the Company sold transportation equipment at its carrying amount, hence no gains or losses on disposal was incurred.

As at December 31, 2019 and 2018, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱3.96million and ₱3.26 million, respectively.

Management believes that there are no indicators that the Company's property and equipment is impaired and that its carrying amount approximates its fair value or realizable value.

9. Investment Properties - Net

The roll forward of this account follows:

	March 31, 2020 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱17,285,692	₱65,275,646
Additions	—	—	—
At December 31	47,989,954	17,285,692	65,275,646
Accumulated depreciation and amortization			
At January 1	—	1,803,590	1,803,590
Depreciation	—	168,880	168,880
At March 31	—	1,972,470	1,972,470
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱47,482,755	₱15,313,222	₱60,795,977

	Mar. 31, 2019 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱ 15,285,692	₱63,275,646
Additions	—	—	—
Disposals	—	—	—
At March 31	₱47,989,954	₱15,285,692	₱63,275,646
Accumulated Depreciation			
At January 1	₱ —	₱1,128,070	₱1,128,070
Depreciation	—	168,880	168,880
At March 31	₱ —	₱1,296,950	₱1,296,950
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱42,641,421	₱13,988,742	₱61,471,497

	December 31, 2019 (Audited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱15,285,692	₱63,275,646
Additions	—	2,000,000	2,000,000
At December 31	47,989,954	17,285,692	65,275,646
Accumulated depreciation and amortization			
At January 1	—	1,128,070	1,128,070
Depreciation	—	675,520	675,520
At December 31	—	1,803,590	1,803,590
Allowance for impairment loss	(507,199)	—	(507,199)
Carrying amounts	₱47,482,755	₱15,482,102	₱62,964,857

The aggregate fair value of the investment properties of the Company amounted to ₱68.39 million and ₱66.39 million as at December 31, 2019 and 2018, respectively.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to nil and ₱4.32 million in 2019 and 2018, respectively. These are presented under "Gain on foreclosed assets" account in the statements of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Gain on sale on investment properties amounted to nil and ₱0.76 million in 2019 and 2018, respectively.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱76,043 and ₱75,792in 2019, respectively.

10. Other Assets -Net

This account consists of:

	Note	**31-Mar-20 (Unaudited)**	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Repossessed assets, net	*11*	**₱78,612,865**	₱76,706,196	₱73,356,137
Prepaid expenses		**6,821,852**	5,824,509	6,922,195
Security deposits		**145,496**	700,606	3,149,779
Software costs		**584,971**	134,784	268,210
Other investments		**960,884**	1,051,728	80,000
		₱87,126,068	₱84,417,823	₱83,776,321

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment. These units are intended for immediate resale. Included in the statements of comprehensive income are the gain from sale of repossessed assets amounted to ₱8.04 million in 2019 and loss from sale of repossessed assets of ₱2.79 million and₱23.96 million in 2018 and 2017, respectively. Proceeds from sale amounted to ₱19.06 million, ₱18.27 million and ₱4.81 million in 2019, 2018 and 2017, respectively. Provision for impairment loss of repossessed assets amounted to ₱0.06 million,₱6.36 million and₱32.60 million in 2019, 2018 and 2017, respectively.

Prepaid securities pertain to expenses paid in advance but not yet incurred.

Other investments represent investment with debt and equity securities.

The movement in software costs follow:

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Cost			
At January 1	**₱**6,014,217	₱5,098,717	₱5,078,615
Additions	**-**	915,500	-
At March 31 and December 31	**6,014,217**	6,014,217	5,078,615
Accumulated amortization			
At January 1	5,313,611	4,995,330	7,703,622
Amortization for the qtr/year	115,635	318,281	106,783
Accumulated Amortization	**5,429,246**	5,313,611	4,810,405
At March 31 and December 31	**₱584,971**	₱700,606	₱268,210

11. Notes Payable

This account consists of:

	Note	**31-Mar-20 (Unaudited)**	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Related parties	*18*	**₱469,359,023**	₱443,227,374	₱316,524,355
Banks		**271,458,442**	259,181,674	107,684,213
Individuals		**7,300,000**	6,900,000	8,500,000
		₱748,117,465	₱709,309,048	₱432,708,568

Interest rates from borrowings range from 5.00% to 7.15% per annum in March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Interest expense on these notes payable amounted to ₱10.06 million, ₱23.48 million, and ₱6 million in March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

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

Notes payable to banks have a maturity of up to three (3) years. As at March 31, 2020 and December 31, 2019, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

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

	March 31, 2020 (Unaudited)		Dec.31, 2019 (Audited)	
	Carrying Amount	**Secured Notes**	Carrying Amount	Secured Notes
Motorcycle financing	**₱494,311,936**	**₱326,732,855**	₱345,119,511	₱228,118,876

12. Accrued expenses

This account consists of:

	Note	**31-Mar-20 (Unaudited)**	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Accrued taxes		**54,082,900**	₱7,020,117	₱5,520,300
Accrued insurance payable		**850,934**	6,569,889	333,600
Accrued occupancy costs		**5,664,643**	4,077,131	3,335,469
Accrued interest	*18*	**1,132,669**	2,961,731	4,793,511
Accrued administrative expenses		**2,737,542**	978,822	2,211,176
Accrued management and professional fees		**1,113,610**	721,328	1,293,709
Others		**19,837,026**	9,068,512	8,038,828
		₱36,744,714	₱31,397,530	₱25,526,593

Others include accrual on accrual on utilities, commission and premium.

13. Maturity analysis of assets and liabilities

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

	March 31, 2020 (Unaudited)			March 31, 2019 (Unaudited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱55,396,006**	**₱ -**	**₱55,396,006**	₱35,280,284	₱ -	₱ 35,280,284
Loans and other receivables - gross	**950,927,186**	**695,644,416**	**1,646,571,602**	679,407,692	508,248,817	1,187,656,509
Other investments	**-**	**1,186,512**	**1,186,512**	-	3,989,001	3,989,00
	₱1,006,323,192	**₱696,830,928**	**₱1,703,154,120**	₱714,687,976	₱512,237,818	₱1,226,925,794
Nonfinancial Assets						
Investment in an associate	**-**			-	6,953,010	6,953,010
Property and equipment	**-**	**8,493,023**	**8,493,023**	-	61,471,497	61,471,497
Investment properties -net	**-**	**62,795,977**	**62,795,977**	-	68,660,546	68,660,546
Deferred tax assets	**-**	**59,664,287**	**59,664,287**	-	244,127	244,127
Right-of-use assets	**14,247,219**	**9,635,438**	**23,882,655**			
Other assets	**5,824,509**	**80,115,047**	**79,543,192**	5,519,191	74,024,001	79,543,192
	₱20,071,728	**₱220,703,770**	**₱240,775,498**	₱5,519,191	₱211,353,181	₱216,872,372
Less: Allowance for credit and impairment losses	**(71,926,324)**	**(52,782,967)**	**(124,709,291)**	(63,975,223)	(47,858350)	(111,833,573)
Unearned interest income	**(233,617,781)**	**(172,303,478)**	**(405,921,259)**	(167,753,720)	(125,492,590)	(293,246,310)
Client's equity	**(35,929,381)**	**-**	**(35,929,381)**	(28,789,287)	-	(28,789,287)
	(₱341,473,486)	**(₱225,086,445)**	**(₱433,869,170)**	(₱260,518,230)	(₱173,350,940)	(₱433,869,170)
	₱684,921,434	**₱692,448,253**	**₱1,377,369,667**	₱459,688,937	₱550,240,059	₱1,009,928,996

Financial Liabilities						
Notes payable	**₱543,546,819**	**₱204,570,646**	**₱748,117,465**	₱432,708,568	₱ -	₱432,708,568
Accounts payable	**34,667,355**	**-**	**34,667,355**	31,820,733	-	31,820,733
	₱578,214,174	**₱ -**	**₱782,784,820**	₱464,529,301	₱ -	₱464,529,301
Nonfinancial Liabilities						
Accrued expenses	**₱36,744,714**	**₱ -**	**₱36,744,714**	₱31,653,345	₱ -	₱31,653,345
Retirement liability	**-**	**4,274,808**	**4,274,808**	**-**	**-**	**-**
Lease liabilities	**13,773,527**	**14,321,462**	**28,094,989**			
Income tax payable	**1,229,492**	**-**	**1,229,492**	1,272,206	-	1,272,206
	₱51,747,733	**₱18,596,270**	**₱70,344,003**	₱32,925,551	₱ **-**	₱32,925,551
	₱629,961,907	**₱223,166,916**	**₱853,128,823**	₱497,454,852	₱ -	₱497,454,852

	December 31, 2019 (Audited)			December 31, 2018 (Audited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱62,726,271**	**₱—**	**₱62,726,271**	₱60,727,435	₱—	₱60,727,435
Loans and other receivables gross	**910,803,014**	**666,232,783**	**1,577,035,797**	663,157,807	496,092,664	1,159,250,471
Security deposits, and other investments	**—**	**1,186,512**	**1,186,512**	—	4,777,361	4,777,361
	973,529,285	**667,419,295**	**1,640,948,580**	723,885,242	500,870,025	1,224,755,267
Nonfinancial Assets						
Property and equipment – net	**—**	**9,226,046**	**9,226,046**	—	7,089,171	7,089,171
Investment properties – net	**—**	**62,964,857**	**62,964,857**	—	61,640,377	61,640,377
Deferred tax assets – net	**—**	**61,209,971**	**61,209,971**	—	69,401,876	69,401,876
Retirement plan assets – net	**—**	**—**	**—**	—	244,127	244,127
Right-of-use assets	**14,247,219**	**9,635,436**	**23,882,655**	—	—	—
Other assets*	**5,824,509**	**77,406,802**	**83,231,311**	5,271,318	70,699,496	75,970,814
	20,071,728	**220,443,112**	**240,514,840**	5,271,318	209,075,047	214,346,365
Less: Allowance for credit losses	**(71,426,324)**	**(52,246,818)**	**(123,673,142)**	(61,884,815)	(46,294,565)	(108,179,380)
Unearned interest income	**(228,617,781)**	**(167,228,981)**	**(395,846,762)**	(161,911,840)	(121,122,417)	(283,034,257)
Client's equity	**(37,314,186)**	**—**	**(37,314,186)**	(29,443,885)	—	(29,443,885)
	(337,358,291)	**(219,475,799)**	**(556,834,090)**	(253,240,540)	(167,416,982)	(420,657,522)
	₱656,242,722	**₱668,386,608**	**₱1,324,629,330**	₱475,916,020	₱542,528,090	₱1,018,444,110
Financial Liabilities						
Notes payable	**₱571,879,756**	**₱137,429,292**	**₱709,309,048**	₱464,742,883	₱—	₱464,742,883
Accounts payable	**29,715,348**	**—**	**29,715,348**	17,918,996	—	17,918,996
Accrued expenses**	**24,377,413**	**—**	**24,377,413**	20,846,276	—	20,846,276
	625,972,517	**137,429,292**	**763,401,809**	503,508,155	—	503,508,155
Nonfinancial Liabilities						
Accrued expenses	**7,020,117**	**—**	**7,020,117**	5,027,072	—	5,027,072
Retirement benefits liability	**—**	**3,974,808**	**3,974,808**	—	—	—
Lease liabilities	**13,773,527**	**14,321,462**	**28,094,989**	—	—	—
Income tax payable	**726,531**	**—**	**726,531**	611,610	—	611,610
	21,520,175	**18,296,270**	**39,816,445**	5,638,682	—	5,638,682
	₱647,492,692	**₱155,725,562**	**₱803,218,254**	₱509,146,837	₱—	₱509,146,837

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

14. Equity

On July 25, 2019, the BOD and stockholders approved the declaration of 13.55% stock dividends in the amount of ₱31.38million to stockholders of record as of August 22, 2019 with distribution date not later than September 18, 2019. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1.38 million.

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

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

As at March 31, 2020, the Company has 262,948,243 common shares issued and outstanding which are owned by 109 shareholders.

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

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)		March 31, 2019 (Unaudited)	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000shares;₱1 par value						
At January 1	**262,948,243**	**₱262,948,243**	**231,572,111**	**₱231,572,111**	**231,572,111**	**₱231,572,111**
Stock dividends	**0**	**0**	**31,376,132**	**31,376,132**	0	0
At December 31	**262,948,243**	**₱262,948,243**	**262,948,243**	**₱262,948,243**	**231,572,111**	**₱231,572,111**

Adjustment on retained earnings

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

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or processes in 2019.

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

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

For the years ended December 31, 2019 and 2018, the Company is compliant with the minimum paid-up capital.

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

Retirement Plan

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

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

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

	2019	2018
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,315,564**	₱1,817,148
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**429,842**	378,651
Interest expense on effect of asset ceiling	**1,384**	—
Interest income on plan assets	**(449,609)**	(353,754)
	1,297,181	1,842,045
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	**3,185,498**	(3,130,409)
Adjustment remeasurement gain on defined benefits obligation	**—**	(905,181)
Remeasurement loss (gain) on plan assets	**(243,977)**	589,064
Effect of asset ceiling	**(19,767)**	18,383
	2,921,754	(3,428,143)
Total components of retirement liability	**₱4,218,935**	(₱1,586,098)

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

	2019	2018
Present value of retirement benefits obligation	**₱10,639,300**	₱5,708,396
Fair value of plan assets	**(6,664,492)**	(5,970,906)
Funded status – deficit (surplus)	**3,974,808**	(262,510)
Effect of asset ceiling	**—**	18,383
Net retirement benefit liability (asset)	**₱3,974,808**	(₱244,127)

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

	2019	2018
Balance at beginning of year	**₱5,708,396**	₱6,643,006
Current service cost	**1,315,564**	1,817,148
Interest expense	**429,842**	378,651
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	**3,383,456**	(2,094,951)
Experience adjustment	**(197,958)**	(1,035,458)
Balance at end of year	**₱10,639,300**	₱5,708,396

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

	2019	2018
Balance at beginning of year	**₱5,970,906**	₱6,206,216
Interest income	**449,609**	353,754
Remeasurement gain (loss)on plan assets	**243,977**	(589,064)
Balance at end of year	**₱6,664,492**	₱5,970,906

Changes in the retirement benefit liability (asset) follow:

	2019	2018
Balance at beginning of year	**(₱244,127)**	₱436,790
Current service cost	**1,315,564**	1,817,148
Net interest cost (income) on the retirement liability	**(18,383)**	24,897
Remeasurement loss (gain) on plan assets	**(243,977)**	589,064
Effect of asset ceiling	**(19,767)**	18,383
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**3,383,456**	(1,035,458)
Changes in financial assumptions	**(197,958)**	(2,094,951)
Balance at end of year	**₱3,974,808**	(₱244,127)

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

	2019	2018
Cash and cash equivalents	**₱1,443,928**	₱1,240,949
Financial assets at FVPL	**5,194,760**	4,685,499
Accrued and other receivables	**25,804**	44,458
	₱6,664,492	₱5,970,906

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

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

	January 1	
	2019	2018
Discount rate	**5.22%**	7.53%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**27.7**	26.9

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

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

	Change in Basis Points	Increase (decrease) in defined benefit obligation
Discount rate	**+100 basis point**	**(₱1,669,541)**
	-100 basis point	**2,080,748**
Future salary increases	**+100 basis point**	**2,063,656**
	-100 basis point	**(1,687,075)**

Deferred tax asset recognized for the actuarial loss amounted to ₱876,526. The Company has no contributions to the defined benefit plan in 2019 and 2018. The average duration of the defined benefit plan as at the reporting date is 17.6 years and 16.5 years for year 2019 and 2018, respectively. The plan's Board of Trustees has no specific matching strategy between plan assets and plan liabilities.

16. Miscellaneous

Miscellaneous income consists of the following items:

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
Penalties	**₱1,638,387**	₱8,564,212	₱3,212,030
Recoveries	**211,592**	1,923,112	334,846
Others	**42,129**	284,796	1,970,222
	₱1,892,108	₱10,772,120	₱5,517,098

Miscellaneous expense consists of the following items:

	Mar-20 (Unaudited)	Dec-19 (Audited)	Mar-19 (Unaudited)
Communication	**₱783,636**	₱2,557,004	₱555,008
Stationeries and supplies	**520,594**	2,535,973	492,408
Insurance	**452,926**	1,580,127	471,258
Repairs and maintenance	**415,403**	1,467,754	369,063
Training and development	**90,000**	322,898	65,610
Meetings and conferences	**42,273**	158,630	43,977
Others	**859,748**	3,104,887	291,148
	₱3,164,580	₱11,727,273	₱2,288,472

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

17. Income taxes

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

The components of the Company's income tax expense (benefit) for the quarter ended March 31, 2020 and for the years ended December 31, 2019, and 2018.

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	31-Dec-18 (Audited))
Current:			
MCIT	**₱508,161**	**₱2,571,237**	₱2,078,273
RCIT	—	—	—
Deferred	**1,540,485**	**10,135,549**	7,395,680
	₱2,048,646	**₱12,706,786**	₱9,473,953

The components of deferred tax assets- net follow:

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)
Deferred tax assets on:		
Allowance for credit losses	**₱38,181,886**	**₱37,031,683**
Allowance of repossessed assets write-down	**13,246,422**	**13,396,625**
NOLCO	**6,237,095**	**8,782,779**
Accrued expenses	**2,022,466**	**2,022,466**
Effect of PFRS 16	**1,263,700**	**1,263,700**
Past service costs	**48,352**	**48,352**
Remeasurement loss on defined benefit obligation	**(1,335,634)**	**(1,335,634)**
	₱59,664,287	**₱61,209,971**

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.29million and ₱ 6.81 million as at December 31, 2019 and 2018, respectively.

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

<u>NOLCO</u>

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	₱—	₱—	₱—	2022
2018	14,527,909	—	14,527,909	2021
2017	25,110,093	15,514,353	9,595,740	2020
2016	37,118,846	37,118,846	—	2019
	₱76,756,848	**₱52,633,199**	**₱24,123,649**	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2020	₱508,161		₱508,161	2023
2019	2,315,132	₱—	₱2,315,132	2022
2018	2,078,273	—	2,078,273	2021
2017	1,897,303	—	1,897,303	2020
2016	2,833,371	(2,833,371)	—	2019
	₱9,632,240	**(₱2,833,371)**	**₱6,798,869**	

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

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)
Income before income tax	**₱4,878,433**	**₱34,412,435**
Income tax computed at statutory rate (30%)	**₱1,463,530**	**₱10,323,731**
Additions to (reduction in) income tax resulting from the tax effects of:		
Unrecognized DTA	**497,283**	**2,315,132**
Interest income subjected to final tax	**(3,689)**	**(546,776)**
Nondeductible expense	**90,000**	**389,154**
Non-deductible interest expense	**1,522**	**225,545**
Gain on repossessed assets	**—**	**—**
Adjustment on the beginning DTA	**—**	**—**
Effective income tax expense	**₱2,048,646**	**₱12,706,786**

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱1.05 million,₱0.75 million and ₱0.73 in 2019, 2018 and 2017, respectively.

18. 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:

		2019			2018			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	Amount of transactions	Due from related parties	Due to related parties	**Nature, Terms and Condition**
Parent Company								
Miscellaneous receivables	a		**₱80,514**	**₱—**	₱—	₱80,514	₱—	Non-interest bearing, unsecured; No impairment
Notes payable	b		**—**	**385,000,000**			245,100,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**222,900,000**	**—**	**—**	177,000,000	—	—	
Settlements		**83,000,000**	**—**	**—**	93,800,000	—	—	
Interest expense		**10,916,628**	**—**	**2,599,108**	9,250,114	—	2,599,083	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	a		**156,894**	**—**	**—**	—	—	Non-interest bearing, unsecured; No impairment
Availments		**220,522**	**—**	**—**	320,477	—	—	
Settlements		**63,628**	**—**	**—**	2,430,775	—	—	

forward

		2019			2018			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	**Amount of transactions**	**Due from related parties**	**Due to related parties**	**Nature, Terms and Condition**
Accounts payable	d		**₱—**	**₱12,177,800**	₱—	₱—	₱12,451,141	30 day unsecured, non-interest bearing
Availments		**145,524,243**	**—**	**—**	87,171,559	—	—	
Settlements		**145,797,584**	**—**	**—**	79,083,847	—	—	
Short term placements	c		**—**	**—**	—	—	—	Short-term interest bearing placements

Availments		**8,000,000**	**—**	**—**	—	—	—	at 10.5%
Settlements		**8,000,000**	**—**	**—**	—	—	—	annual interest rate
Interest income		**101,150**	**—**	**—**	—	—	—	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	a		**2,936,329**	**—**		1,494,807	—	30 day unsecured, non-interest bearing
Availments		**1,441,521**	**—**	**—**	1,077,320	—	—	
Settlements		**—**	**—**	**—**	334,673	—	—	
Accounts payable	d		**—**	**52,181**		—	—	Non-interest bearing, unsecured
Availments		**112,371**	**—**	**—**	108,240	—	—	
Settlements		**60,190**	**—**	**—**	4,976,642	—	—	
Short term placements	c		**23,570,385**	**—**		23,836,952	—	
Availments		**2,069,988**	**—**	**—**	1,894,802	—	—	Short-term interest bearing placements
Settlements		**2,182,426**	**—**	**—**	1,287,493	—	—	at 10.5%
Interest income		**1,769,900**	**824,840**	**—**	1,828,156	950,840	—	annual interest rate
HMW Lending Investors, Inc.								
Short term placements	c		**—**	**—**	40,000,000	—	—	Short-term interest bearing placements
Interest income		**83,111**	**—**	**—**	3,418,489	83,111	—	at 8.5% annual interest rate
Honda Motor World, Inc.								
Miscellaneous receivables	a		**44,542**	**—**		—	—	Non-interest bearing, unsecured;
Availments		**117,042**	**—**	**—**	86,406	—	—	No Impairment
Settlements		**72,500**	**—**	**—**	2,485,737	—	—	
Accounts payable	d		**—**	**2,227,484**		—	1,266,646	Unsecured, interest bearing placement
Availments		**65,330,486**	**—**	**—**	30,839,616	—	—	at 10.0% annual interest rate
Settlements		**64,369,648**	**—**	**—**	31,062,473	—	—	
Pikeville Bancshares								
Professional fees		**1,193,920**	**—**	**468,384**	1,193,920	—	390,320	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	a		**18,057**	**—**		236,631	—	Non-interest bearing; No impairment
Availments		**—**	**—**	**—**	—	—	—	
Settlements		**218,574**	**—**	**—**	—	—	—	

forward

Category/Transaction	Ref	**2019** Amount of Transaction	**2019 Outstanding Balances** Due from related parties	Due to related parties	2018 Amount of transactions	2018 Outstanding Balances Due from related parties	Due to related parties	Nature, Terms and Condition
Notes payable	b		—	**₱28,558,641**		₱—	₱47,358,487	Unsecured interest bearing placements
Availments		**21,200,154**	—	—	10,007,418	—	—	at 5.5% annual interest rate;
Settlements		**40,000,000**	—	—	7,055,202	—	—	no impairment
Interest expense		**2,125,192**	—	—	2,522,469	—	—	
Directors and other stockholders								
Notes payable	b		—	**29,668,733**		—	28,407,908	Unsecured interest bearing placements
Availments		**8,882,825**	—	—	9,097,897	—	—	at 5.5% annual interest rate;
Settlements		**7,622,000**	—	—	9,996,000	—	—	no impairment
Interest expense		**1,450,912**	—	**16,780**	1,564,572	—	16,780	
Professional and other management fees		**3,142,397**	—	—	4,158,291	—	—	Payment of professional fees
TOTAL			**₱27,631,561**	**₱460,769,111**		₱26,682,855	₱337,590,365	

a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 7).

b. As at December 31, 2019 and 2018, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱443.23 million and ₱320.87 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱14.49 million and ₱13.34 million in 2019 and 2018, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱252.98 and ₱196.11 million in 2019 and 2018, respectively. Settlement from borrowings amounted to ₱130.62 and ₱110.85 million in 2019 and 2018, respectively. Interest rates from borrowings range from 5.0% to 6.00% and 5.0% to 5.70% in 2019 and 2018 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements with related parties amounting to nil and ₱40.00 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, ₱23.57 million and ₱23.84 million of these placements remain outstanding. Interest income from these placements amounted to ₱1.77 million ₱1.83 million in 2019 and 2018, respectively (Note 6).

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

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

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱14.40 million, ₱18.69 million and₱17.80 million in 2019,2018 and 2017 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

19. Earnings Per Share(EPS)

	31-Mar-20 (Unaudited)	31-Dec-19 (Audited)	19-Mar-19 (Unaudited)
a. Net Income	**₱2,829,787**	**₱21,705,649**	₱3,176,871
b. Weighted average number of outstanding common shares	**262,948,243**	**247,260,177**	231,572,111
c. Basic/diluted earnings per share (a/b)	**₱0.01**	₱0.09	**₱0.01**

The weighted average number of outstanding common shares in March 31, 2020, December 31, 2019 and March 31, 2019 was recomputed after giving retroactive effect to stock dividends declared on July 25, 2019 and July 26, 2018.

20. Leases

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2019, 2018, and 2017 amounted to₱1.21million, ₱16.35 million and₱16.44 million, respectively.

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

	2019	2018	2017
Less than one year	**₱15,477,556**	₱13,102,722	₱9,863,666
Between one and five years	**20,533,217**	18,647,091	18,643,031
	₱36,010,773	₱31,749,813	₱28,506,697

Set out below are the carrying amounts of lease liabilities and the movements during the year:

As at January 1, 2019, restated	**₱41,686,931**
Accretion of interest	**2,455,808**
Payments	**(16,047,750)**
As at December 31, 2019	**₱28,094,989**
Current	**₱13,773,527**
Non-current	**14,321,462**
	₱28,094,989

Right-of-use assets

Balance at January 1, 2019, as restated	**₱38,129,874**
Depreciation of right-of-use assets	**(14,247,219)**
Balance at December 31, 2019	**₱23,882,655**

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2019:

Notes Payable, December 31, 2018	464,742,883
Cash flows during the year	
Proceeds from loans payable	502,958,988
Payment of loans payable	(258,392,823)
	244,566,165
Notes Payable, December 31, 2019	**709,309,048**
Cash flows during the year	
Proceeds from loans payable	64,947,959
Payment of loans payable	(26,139,542)
	38,808,417
Notes Payable, March 31, 2020	**₱748,117,465**

22. Financial Risk Management Objectives and Policies

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

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

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

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

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

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

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

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

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

	March 31, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Gross Maximum Exposures	**Fair value of Collateral Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposures	Fair value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets At Amortized Cost						
Cash and cash equivalents*	**53,388,410**		**53,388,410**	61,108,146		61,108,146
Receivable from Customers:						
Consumer	**937,212,266**	**630,067,977**	**307,144,289**	883,321,451	618,834,377	264,487,074
Services	**252,753,560**	**29,376,454**	**223,377,106**	247,088,916	29,376,454	217,712,462
Other Receivables	**14,755,136**	—	**14,755,136**	13,464,482	—	13,464,482
Security deposits**	**134,784**		**134,784**	134,784		134,784
	1,258,244,156	**659,444,431**	**598,799,725**	1,205,117,779	648,210,831	556,906,948

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

	March 31, 2019 (Unaudited)					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱60,159,080**	**₱—**	**₱—**	**₱—**	**₱—**	**₱60,159,080**
Receivable from Customers:		**—**				
Consumer	**522,814,613**	**—**	**154,264,928**	**107,633,273**	**98,608,637**	**883,321,451**
Services	**29,376,454**	**—**	**204,348,025**	**7,520,837**	**5,843,600**	**247,088,916**
Other Receivables	**—**	**—**	**13,464,482**	**—**	**—**	**13,464,482**
Security deposits	**—**	**—**	**134,784**	**—**	**—**	**134,784**
Financial assets at FVOCI**	**—**	**—**	**80,000**	**—**	**—**	**80,000**
	₱612,350,147	**₱—**	**₱372,292,219**	**₱115,154,110**	**₱104,452,237**	**₱1,204,248,713**

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

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

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

Cash in Banks

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

Cash Equivalents

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

Loans and Other Receivables

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

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

	March 31, 2020 (Unaudited)					
	1-30 days	**30-60 days**	**61-90 Days**	**91-120 Days**	**More than 120 Days**	**Total**
Consumer	**₱34,785,641**	**₱11,441,845**	**₱4,169,233**	**₱7,295,761**	**₱48,940,794**	**₱106,633,273**
Services	**-**	**-**	**693,026**	**867,031**	**6,160,780**	**7,720,837**
	₱34,785,641	**₱11,441,845**	**₱4,862,259**	**₱8,162,791**	**₱55,101,574**	**₱114,354,110**

	December 31, 2019 (Audited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱34,785,641	₱11,441,845	₱5,169,233	₱7,395,761	₱48,840,794	₱107,633,274
Services	-	-	493,026	867,031	6,160,780	7,520,837
	₱ 34,785,641	**₱11,441,845**	**₱5,662,259**	**₱8,262,791**	**₱55,001,574**	**₱115,154,111**

Liquidity Risk

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

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

		March 31, 2020 (Unaudited)					
			Contractual Maturities				
	Carrying Amount	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Financial assets							
Cash and Cash equivalents	**₱53,388,410**	**₱53,388,410**	**₱-**	**₱-**	**₱-**	**₱-**	**₱53,388,410**
Loans and other receivables							
Receivable from customers:							
Consumer	**937,212,266**	**335,056,303**	**139,763,631**	**214,633,051**	**476,328,213**	**83,850,479**	**1,249,631,677**
Services	**252,753,560**	**168,679,271**	**30,348,290**	**49,059,705**	**94,056,530**	**40,040,994**	**382,184,790**
Other receivables	**14,755,136**	**13,386,936**	**-**	**-**	**-**	**1,368,200**	**14,755,136**
Security deposits	**134,784**	**-**	**-**	**-**	**134,784**	**-**	**134,784**
Other Investments*	**80,000**	**-**	**-**	**-**	**-**	**80,000**	**80,000**
	₱1,258,324,156	**₱570,510,920**	**₱170,111,921**	**₱263,692,756**	**₱570,519,527**	**₱125,339,673**	**₱1,700,174,797**
Financial Liabilities							
Notes payable	**₱748,117,465**	**₱24,500,000**	**₱143,500,000**	**₱375,546,819**	**₱204,570,646**	**-**	**₱ 748,117,465.00**
Accounts payable	**34,667,355**	**34,667,355**	**-**	**-**	**-**	**-**	**34,667,355.00**
Accrued expenses***	**36,744,714**	**36,744,714**	**-**	**-**	**-**	**-**	**36,744,714.00**
	₱819,529,534	**₱95,912,069**	**₱143,500,000**	**₱375,546,819**	**₱204,570,646**	**-**	**₱ 819,529,534**
Net liquidity gap	**₱438,794,622**	**₱474,598,851**	**₱26,611,921**	**₱ (111,854,063)**	**₱365,948,881**	**₱125,339,673**	**₱880,645,263**

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

*****excluding government payable***

	December 31, 2019 (Audited)						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱60,159,080	₱60,159,080	₱—	₱—	₱—	₱	₱60,159,080
Loans and other receivables							
Receivable from customers:							
Consumer	883,321,451	332,556,303	127,263,631	192,633,051	468,093,333	69,265,560	1,189,811,878
Services	247,088,916	169,845,752	28,848,290	47,559,705	92,556,530	34,949,160	373,759,437
Other receivables	13,464,482	12,096,282				1,368,200	13,464,482
Security deposits	134,784	—	—	—	134,784	—	134,784
Financial assets at FVOCI*	80,000	—	—	—	—	80,000	80,000
	1,204,248,713	574,657,417	156,111,921	240,192,756	560,784,647	105,662,920	1,637,409,661
Financial Liabilities							
Notes payable	709,309,048	24,500,000	133,500,000	365,546,819	185,762,229	—	709,309,048
Accounts payable	29,715,348	29,715,348	—	—	—	—	29,715,348
Accrued expenses**	24,377,413	24,377,413	—	—	—	—	24,377,413
	763,401,809	78,592,761	133,500,000	365,546,819	185,762,229	—	763,401,809
Net liquidity gap	₱440,846,904	₱496,064,656	₱22,611,921	(₱125,354,063)	₱375,022,418	₱105,662,920	₱874,007,852

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

<u>Market Risk</u>

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

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

Interest Rate Risk

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

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

Sensitivity of Net Interest Income

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

Presented below are the interest-bearing financial instruments:

	Note	**March 31, 2020 (Unaudited)**	Dec. 31, 2019 (Audited
Cash in banks and cash equivalents	*6*	**₱55,396,006**	**₱60,159,080**
Loans and receivable, net	*7*	**1,080,011,671**	**1,008,738,023**
Notes payable	*11*	**(748,117,465)**	**(709,309,048)**
Net exposure		**₱387,290,212**	**₱359,588,055**

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

	Increase/Decrease in Interest Rate (in basis points)	Effect to Total Comprehensive Income before Income and Final Tax
2019	**+100bps**	**₱6,267,164**
	-100bps	**(6,267,164)**
2018	+100bps	₱3,368,064
	-100bps	(3,368,064)

23. Subsequent Events

On March 11, 2020, the World Health Organization assessed that the COVID-19 has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

In response to the pandemic, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million (Note 7). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows onwards. Management believes that the Company will continue as a going concern despite the effects of the pandemic.

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

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to 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 PFRS.

The following are the tax information required for the taxable year ended December 31, 2019 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and Licenses' account in the Company's statement of comprehensive income. Details for the period ended March 31, 2020 consist of the following:

Gross Receipts Tax (GRT)	₱2,373,485
Documentary Stamp Tax (DST) on loan instruments	1,014,698
Capital gains taxes on sale of capital assets	
License and Permit Fees	727,956
	₱4,116,139

As at March 31, 2020, accrued GRT and DST amounted to ₱2,373,485 and ₱362,331, respectively.

B. Withholding taxes

Details of the withholding taxes at March 31, 2020 follow:

Expanded withholding taxes	₱1,812,036
Withholding taxes on compensation and benefits	810,453
	₱2,622,489

C. Tax Cases

As at March 31, 2020, the Company has no pending tax court cases.

D. Tax Assessment

As at March 31, 2020, the Company has no pending tax assessment.

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

	31-Mar-20 (Unaudited)	31-Dec-20 (Audited)	19-Mar-19 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	**166.53%**	162.65%	158.62%
Debt to equity ratio	**162.74%**	154.05%	97.07%
Quick ratio	**93.97%**	95.55%	91.30%
PROFITABILITY RATIOS			
Return on assets	**0.21%**	1.64%	1.26%
Return on equity	**0.54%**	4.16%	2.48%
Net profit margin	**7.55%**	12.35%	35.39%
ASSET TO EQUITY RATIO	**262.74%**	254.05%	197.07%
INTEREST RATE COVERAGE RATIO	**1.48**	2.33	2.39
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	**4.56%**	4.75%	6.09%
Total receivables to total assets	**78.41%**	77.02%	74.64%
Total DOSRI receivables to net worth	**4.62%**	4.54%	2.26%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	**0.02%**	0.02%	0.01%
Honda Motor World, Inc. (HMWI)	**0.01%**	0.01%	0.01%
Amalgamated Investment Bancorporation	**0.01%**	0.01%	0.01%
MAPI Lending Investors, Inc.	**0.29%**	0.29%	0.25%

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

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

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

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

PROFITABILITY RATIOS

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

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

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

AGING OF RECEIVABLES

AS MARCH 31, 2020

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	1,030,726,868	18,760,386	4,995,542	4,231,933	12,549,467	118,701,630	**1,189,965,826**
SUB-TOTAL	**1,030,726,868**	**18,760,386**	**4,995,542**	**4,231,933**	**12,549,467**	**118,701,630**	**1,189,965,826**
Less: Allowance for Doubtful Accounts**						124,709,291	**124,709,291**
Net Trade Receivables	**1,030,726,868**	**18,760,386**	**4,995,542**	**4,231,933**	**12,549,467**	**(6,007,661)**	**1,065,256,535**
***Principal Value=Gross PN less Unearned Interest and Clients' Equity**							
****Allowance for doubtful accounts is for principal only.**							
CLASSIFICATION	**CURRENT**	**1-30 DAYS**	**31-60 DAYS**	**61-90 DAYS**	**91-180 DAYS**	**> 180 DAYS**	**TOTAL**
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	14,755,136	-	-	-	-	-	14,755,136
SUB-TOTAL	14,755,136	-	-	-	-	-	14,755,136
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	14,755,136	-	-	-	-	-	14,755,136
NET RECEIVABLES	**1,045,482,004**	**18,760,386**	**4,995,542**	**4,231,933**	**12,549,467**	**(6,007,661)**	**1,080,011,671**