November 14, 2019

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

Gentlemen:

We are sending herewith the Quarterly Report for the period ended September 30, 2019 (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

COVER SHEET

		2	8	7	8	8				

S.E.C. Registration Number

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

(Company's Full Name)

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

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

MARCOS E. LAROSA	**(02) 751-8132**
Contact Person	Company Telephone Number

1 2	**3 1**	**SEC Form 17Q** **3rd Qtr. 2019**	**0 7**	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2019

Annual Meeting

Every last Thursday of July

Secondary License Type, If Applicable

	C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

108		
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

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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
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Department	CFD
Remarks	

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 **September 30, 2019**

2. Commission identification number **28788**

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

   MAKATI FINANCE CORPORATION
4. Exact name of issuer as specified in its charter

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

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

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

   (**0632) 8751-8132**
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 September 30, 2019*

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

    Yes [X] No [ ]

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

    _PHILIPPINE STOCK EXCHANGE__ ______Common Stock______

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports) Yes [/] No [ ]

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Period Ending September)

	2019	*2018*
NET INTEREST INCOME	83.40%	83.89%
EBIT MARGIN	41.18%	39.50%
RETURN ON ASSETS(annualized)	1.26%	0.33%
DEBT TO EQUITY	136.78%	94.82%
RETURN ON EQUITY(annualized)	2.99%	0.64%

Net interest income, which is computed by deducting the cost of borrowings from the gross interest revenues amounted to Php 103.12 million, higher by 23% versus Php 84.13 million last year. The net interest ratio is lower by 0.49%, mainly due to higher interest expense recorded by the Company as of September 30, 2019 versus same period last year. The EBIT margin, which measures profitability performance, increased to 41.18% in September 2019 as against 39.50% in September 2018 as a result of the company's thrust to produce higher quality loan portfolio. Return on assets ended at 1.26% in 2019 as against 0.33% in 2018. 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 ended at 2.99% in September 2019 as against 0.64% in September 2018. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

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

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of Php11.63 million as of September 2019 higher by 383% versus Php2.41 million last year. Net interest income for the period ending September amounted to Php103.12 million, higher by 23% versus Php84.13 million in 2018. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

The operating expenses incurred amounted to Php97.29 million as of September 2019 or about 2% lower versus Php99.13 million in the same period last year. The Company continues to align allowance for doubtful accounts based on the Accounting Standards on valuation of assets.

Total assets amounted to Php1,230.2 million as of September 2019, of which Php943.67 million pertain to aggregate loans receivable. Loans receivable increased by 28% versus Php738.59 million as of December 31, 2018 due to higher loans released during the year. Total liabilities amounted to Php710.66 million as of September 30, 2019, increased by 39% from Php510.17 million in December 2018 due to increase in loans released in 2019.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

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

Date …… November 13, 2019

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

Date …….November 13, 2019

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending September 30, 2019
With Comparative Figures for 2018

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING SEPTEMBER 30, 2019 & 2018 AND DECEMBER 31, 2018

	Sept. 30, 2019 (Unaudited)	**Dec. 31, 2018 (Audited)**	**Sept. 30, 2018 (Unaudited)**
Current Assets:			
Cash on Hand/in Banks *(Note 7)*	71,729,656	₱60,727,435	45,998,083
Receivables *(Note 8)*	943,667,106	738,592,949	712,569,936
Total Current Assets	₱1,015,396,762	₱799,320,384	₱758,568,019
Investment Properties *(Note 10)*	63,133,737	61,640,377	62,558,284
Retirement Plan Assets *(Note 16)*	-	244,127	-
Property & Equipment - net *(Note 9)*	7,340,889	7,089,171	7,752,581
Deferred Tax Asset	64,625,064	70,430,319	71,864,258
Other Assets - net *(Note 11)*	79,718,798	80,748,175	75,369,407
Total Assets	**₱1,230,215,250**	**₱1,019,472,553**	**₱976,112,549**

	Sept. 30, 2019 (Unaudited)	**Dec. 31, 2018 (Audited)**	**Sept. 30, 2018 (Unaudited)**
Current Liabilities:			
Notes Payable *(Note 12)*	631,931,542	₱464,742,883	410,488,178
Accounts Payable	35,747,535	17,918,996	27,199,354
Accrued Expenses *(Note 13)*	30,992,337	25,873,348	30,150,012
Other Payables	11,988,105	1,640,053	7,237,379
Total	₱710,659,519	₱510,175,280	475,074,923
Stockholder's Equity:			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	262,948,243	₱231,572,111	231,572,111
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	244,665,870	265,783,544	259,923,597
Remeasurement gains on retirement assets	6,137,696	6,137,696	3,737,996
Total	₱519,555,731	₱509,297,273	501,037,626
Total Liabilities and Capital	**₱1,230,215,250**	**₱1,019,472,553**	**₱976,112,549**

MAKATI FINANCE CORPORATION
INTERIM STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING SEPTEMBER 30, 2019 AND 2018

	FOR 3 MONTHS ENDING		FOR 9 MONTHS ENDING	
	2019-SEPT 30	2018-SEPT 30	2019-SEPT 30	2018-SEPT 30
Interest Income – Loans	**42,762,768**	**32,700,234**	**123,641,822**	**100,279,126**
Cost of Borrowings	8,064,169	5,248,504	20,523,174	16,151,108
Net Interest Income	**34,698,599**	**27,451,730**	103,118,648	84,128,018
Less: Provisions	2,125,073	-5,726,769	7,085,691	-10,161,386
Interest Income (net of provision)	**32,573,526**	**33,178,499**	**96,032,957**	**94,289,404**
Other Income	7,396,616	9,366,534	20,554,113	16,134,340
Total Net Revenue	**39,970,142**	**42,545,033**	**116,587,070**	**110,423,744**
Operating Expenses				
Professional/Mgt Fees and Bonus	1,704,195	2,059,067	4,692,561	5,989,822
Salaries and Wages	17,596,343	10,838,336	43,364,904	36,603,557
Transportation and Representation	1,911,887	1,771,053	5,171,396	5,297,530
Depreciation and Amortization	1,247,083	1,026,043	3,498,335	3,431,413
Commissions	5,104	2,315,357	1,190,407	5,322,546
Loss from sale and write-down of MC inventories	414,308	1,604,847	5,486,945	11,780,926
Communication	687,213	497,962	1,826,238	1,480,369
Occupancy costs	4,931,185	4,914,405	13,915,283	11,930,216
Taxes, Licenses, Permits and fees	5,086,764	3,334,563	11,089,186	8,504,430
Operating Expenses	**33,584,082**	**28,361,633**	**90,235,255**	**90,340,809**
Other Operating Expenses	485,631	4,652,433	7,049,800	8,790,533
Total	**34,069,713**	**33,014,066**	**97,285,055**	**99,131,342**
Net Income Before Income Tax	**5,900,429**	**9,530,967**	**19,302,015**	**11,292,402**
Provisions for Tax/Deferred Tax Adjustment	2,398,654	9,339,903	7,667,341	8,883,037
Net Income	**3,501,775**	**191,064**	**11,634,674**	**2,409,365**
Other Comprehensive Income	-	-	**-**	**-**
Total Comprehensive Income	**₱3,501,775**	**₱191,064**	**₱11,634,674**	**₱2,409,365**
BASIC EARNINGS PER SHARE	**0.02**	**0.00**	**0.047**	**0.01**

***As of September 30, 2019, and December 31, 2018,** 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 SEPTEMBER 30, 2019 AND 2018

	2019 30-SEPT	2018 30-SEPT
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	₱ 19,302,015	₱ 11,292,403
Adjustments for:		
Provisions for probable losses	5,486,945	1,619,540
Provision (recovery) for credit losses	7,085,691	3,662,591
Depreciation and amortization	3,303,308	3,662,591
Software costs amortization	195,027	
Retirement benefits expense (income)	900,000	
Loss (gain) from sale of motorcycle units	(6,536,653)	
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	(213,735,457)	(94,194,912)
Other Assets	2,208,185	(5,763,387)
Increase (decrease) in the amounts of:		
Accrued Expenses Payable	17,828,539	10,736,096
Other Payable	13,318,814	18,009,941
Net cash provided by (used in) operating activities	**₱ (150,643,586)**	**₱ (54,637,728)**
Income Tax Paid	(611,609)	(820,511)
Net Cash provided by (used in) operating activities	**₱ (151,255,195)**	**₱ (55,458,239)**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(3,555,026)	(333,098)
Pre-termination of short-term money market placement	-	-
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	**₱3,555,026)**	**₱333,098)**
Cash Flow From FINANCING Activities		
Cash dividend paid	(1,376,217)	(8,159,933)
Loan availments	349,013,876	161,958,341
Pre-Termination)	(181,825,217)	(178,809,052)
Net cash provided by (used in) financing activities	**₱ 165,812,442**	**₱ (25,010,644)**
Net cash provided by (used in) Cash and Cash Equivalents	**11,002,221**	**(80,801,981)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	60,727,435	126,800,064
CASH AND CASH EQUIVALENTS AT END OF QUARTER	**₱ 71,729,656**	**₱ 45,998,083**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING SEPTEMBER 30, 2019 AND 2018 AND DECEMBER 31, 2018

	SEPT 30, 2019	Dec. 31, 2018	SEPT 30, 2018
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	₱231,572,111	₱223,412,301	₱223,412,301
Stock dividends	31,376,132	8,159,810	8,159,810
Issuance during the year			
	₱262,948,243	**₱231,572,111**	**₱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	₱265,783,544	₱273,833,971	₱273,833,971
Adjustment to RE	1	(905,181)	(997)
Stock dividends	(31,376,132)	(8,159,810)	(8,158,810)
Cash dividends	(1,376,217)	(8,159,932)	(8,159,933)
Total Comprehensive Income	11,634,674	9,174,496	2,409,366
Balance, end of quarter/year	**₱244,665,870**	**₱265,783,544**	**₱259,923,597**
Remeasurement gains on retirement assets	**₱6,137,696**	**6,137,696**	**₱3,737,996**
Share in other comprehensive income/loss of an associate	**-**	-	-
Net unrealized loss on investments			
Total Equity	**₱519,555,731**	**₱509,297,273**	**₱501,037,626**

MAKATI FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(With Comparative Figures of 2018)

1. General Information

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

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

Amalgamated Investment Bancorporation(AIB) owns 41.46% of the Company as at December 31, 2018 and 2017.

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 September 25, 2019, the Company's closing price at the PSE amounts to ₱3.09 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

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). 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).

The audited financial statements 2018 were approved and authorized for issuance by the Board of Directors (BOD) on April 2, 2019.

Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest thousand (₱000), 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, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

    - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

    - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

    - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

    - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

    - The derecognition provisions are carried over almost unchanged from PAS 39.

    Based on the Company's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 (or shall be classified under the new classification categories of PFRS 9).

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱126,800,069	₱126,800,069
Loans and other receivables	Loans and receivables	Financial assets at amortized cost	616,946,052	616,946,052
Security deposit	Loans and receivables	Financial assets at amortized cost	3,149,779	3,149,779
Other investments	Available for sale investments	Financial assets at FVOCI	80,000	80,000

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no impact on the carrying amounts of the Company's financial assets carried at amortized cost (and/or other comprehensive income).

There is no material impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

- PFRS 15, Revenue from Contracts with Customers – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

  Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the delivery of goods (or rendering of services). Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes revenue as the goods are transferred to the customer at the point of delivery (or as the services are rendered over time). Accordingly, the adoption of PFRS 15 has no impact in the timing of the Company's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. 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 December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will 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, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  For the Company's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company complete the review.

- 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 (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* 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).

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

Current versus noncurrent classification

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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 at fair value through profit and loss (FVPL), 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 fair value through other comprehensive income (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 recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at September 30, 2019 and 2018, 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 September 30, 2019 and 2018, the Company's cash and cash equivalents, loans and receivables and security deposits are included under this category (Notes 7, 8 and 11).

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 September 30, 2019 and 2018, the Company's liabilities arising from its notes payable, accounts payable and accrued expenses are included under this category (Notes 12,13 and 19).

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.

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 other comprehensive income 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 face value. 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. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

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

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 other comprehensive income (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 statement 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.

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

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

All other expenditure is expensed as incurred.

Software 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. Trademarks and other 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.

Share capital
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 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 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.

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 statement 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income or directly in equity are also recognized in other comprehensive income 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.

Operating leases

Com*pany as lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year if any. The Company does not have dilutive potential common shares.

Segment reporting
The Company's operating businesses are 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 6 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 separate 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 separate 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:

Operating lease
Company as a lessee
The Company has entered into a contract of lease for its office space and warehouse it occupies. The Company has determined that all the significant risks and rewards of ownership on these properties are retained by the lessor (Note 21).

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 statement 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 September 30, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates and assumptions
The key estimates and assumptions used in the separate 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 September 30, 2019 and December 31, 2018, allowance for credit losses amounted to ₱115.77 million and ₱108.18 million, respectively (Note 8). The carrying values of loans and other receivables amounted to ₱943.67 million and ₱738.59 million as at September 30, 2019 and December 31, 2018, respectively (Note 8).

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 September 30, 2019 and December 31, 2018, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 9, 10 and 11.

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

As at September 30, 2019 and December 31, 2018, the carrying value of motorcycle units amounted to ₱68.11 million and ₱70.58 million, respectively (Note 11).

Recognition of Deferred Tax Assets
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of 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 18 to the financial statements.

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 to the financial statements.

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

As at September 30, 2019 and December 31, 2018, the net retirement plan assets amounted to ₱ 0.24 million and net retirement liability amounted to ₱0.24 million, respectively (Note 16).

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

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

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

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. 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.

	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**₱71,729,656**	**₱ -**	**₱71,729,656**	₱58,744,735	₱ -	₱58,744,735
Receivable from customers:						
Consumer	**823,016,267**	**631,556,599**	**191,459,668**	654,600,87	421,009,611	233,590,876
Services	**221,251,030**	**32,925,109**	**188,325,921**	179,20,789	25,946,313	153,294,476
Other receivables	**14,664,882**	**-**	**14,664,882**	12,931,054	-	12,931,054
Security deposits**	**4,023,252**	**-**	**4,023,252**	3,900,651	-	3,900,651
Loans and Other Receivables	**₱113,4685,087**	**₱664,481,708**	**₱ 470,203,379**	₱909,417,716	₱446,955,924	₱462,461,792

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

	September 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**₱45,998,083**	**₱ -**	**₱45,998,083**	₱96,800,856	₱ -	₱96,800.856
Receivable from customers:						
Consumer	**637,313,861**	**495,192,170**	**142,120,991**	770,797,008	746,006,867	24,790,141
Services	**160,242,477**	**26,279,766**	**133,962,710**	151,855,672	7,155,357	144,700,315
Other receivables	**24,744,249**	**-**	**24,744,249**	18,982,734	-	18,982,734
Security deposits**	**3,384,627**	**-**	**3,384,627**	3,384,627	-	3,384,627
Loans and Other Receivables	**₱872,162,971**	**₱521,472,636**	**₱ 350,690,335**	₱1,041,820,897	₱753,162,224	₱288,658,673

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

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

	September 30, 2019 (Unaudited)					
	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Loans and Other Receivables						
Cash and cash equivalents*	**P 71,729,656**	**P --**	**P -**	**P -**	**P -**	**P 71,729,656**
Receivable from customers:						
Consumer	**557,033,391**	-	**26,686,687**	**133,348,663**	**98,464,744**	**823,016,267**
Services	23,090,418	-	**158,371,901**	**30,471,165**	**9,719,320**	**221,251,030**
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	**14,664,882**	-	-	**14,664,882**
Security deposits	-	-	**4,023,252**	-	-	**4,023,252**
Other investments**	**-**	-	**876,710**	-	-	**876,710**
	P651,853,465	**P -**	**P204,623,432**	**P163,819,828**	**P108,184,064**	**P1,135,561,797**

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

	September 30, 2018 (Unaudited)					
	Neither Past Due nor Impaired			Past Due		
	High Grade	Medium Grade	Low Grade	but not Impaired	Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	P 45,998,083	P --	P -	P -	P -	P 45,998,083
Receivable from customers:						
Consumer	379,039,032	-	72,069,331	87,740,754	98,464,744	637,313,861
Services	12,542,248	-	109,697,897	28,283,012	9,719,320	160,242,477
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	24,744,249	-	-	24,744,249
Security deposits	-	-	3,864,302	-	-	3,864,302
Other investments**	-	-	80,000	-	-	80,000
	P437,579,363	P -	P210,455,779	P87,740,754	P108,184,064	P872,242,972

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

	December 31, 2018 (Audited)					
	Stage 1			Stage 2	Stage 3	
	Neither Past Due nor Impaired			Past Due		
	High Grade	Medium Grade	Low Grade	but not Impaired	Impaired	Total
Financial Assets At Amortized Cost						
Loans and Other Receivables						
Cash and cash equivalents*	₱58,744,735	₱ -	₱ -	₱ -	₱ -	₱58,744,735
Receivable from customers:						
Consumer	253,544,871	-	157,279,464	141,437,797	102,338,356	654,600,488
Services	17,132,200	-	127,761,968	24,806,437	9,540,184	179,240,789
Other receivables			12,931,054			12,931,054
Security deposits	-	-	3,900,651	-	-	3,900,651
Financial assets at FVOCI**	-	-	876,710	-	-	876,710
	₱329,421,806	₱ -	₱302,749,847	₱166,244,234	₱111,878,540	₱910,294,427

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

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

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

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

Loans and Other Receivables

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

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

	September 30, 2019 (Unaudited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱44,418,606	₱12,143,769	₱39,669,425	₱5,441,250	₱31,675,613.00	₱133,348,663
Services	16,377,974	3,885,087	7,970,262	1,910,308	327,534.00	30,471,165
	₱60,796,580	₱16,028,856	₱47,639,687	₱7,351,558	₱32,003,147	₱163,819,828

	September 30, 2018 (Unaudited)					
	1-30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**More than120 Days**	**Total**
Consumer	**₱45,457,503**	**₱18,616,078**	**₱10,923,422**	**₱8,609,340**	**₱4,134,412**	**₱87,740,754**
Services	**26,902,283**	**360,386**	**473,977**	**519,376**	**26,989**	**28,283,012**
	₱72,359,786	**₱18,976,464**	**₱11,397,399**	**₱9,128,716**	**₱4,161,401**	**₱116,023,766**

	December 31, 2018 (Audited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱46,450,039	₱14,175,202	₱41,700,858	₱7,472,683	₱31,639,015	₱141,437,797
Services	14,874,292	2,781,405	6,466,580	6,626	677,534	24,806,437
	₱61,324,331	₱16,956,607	₱48,167,438	₱7,479,309	₱32,316,549	₱166,244,234

Impairment Assessment

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

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

Liquidity Risk

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

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

		Contractual Maturities September 30, 2019 (Unaudited)					
	Carrying Amount	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Financial Assets							
Cash and cash equivalents	71,729,656	71,729,656	-	-	-	-	71,729,656
Loans and other receivables							
Receivable from customers:							
Consumer	823,016,267	239,142,970	170,564,874	199,617,483	378,784,052	123,760,708	1,111,870,087
Services	221,251,030	162,119,219	27,941,083	38,273,826	77,967,597	38,644,853	344,946,578
Other receivables	14,664,882	-	-	-	-	14,664,882	14,664,882
Dividend receivable	-	-	-	-	-	-	-
Security deposits	4,023,252	-	-	-	-	4,023,252	4,023,252
Financial assets at FVOCI*	876,710				-	876,710	876,710
	1,135,561,797	472,991,845	198,505,957	237,891,309	456,751,649	181,970,405	1,548,111,165
Financial Liabilities							
Notes payable	631,931,542	188,776,383	47,611,111	300,933,333	94,610,714	-	631,931,541
Accounts payable	71,042,988	71,042,988	-	-	-	-	71,042,988
Accrued interest	7,684,989	7,684,989	-	-	-	-	7,684,989
	710,659,519	267,504,360	47,611,111	300,933,333	94,610,714	-	710,659,518
Net liquidity gap	424,902,278	205,487,485	150,894,846	(63,042,024)	362,140,935	181,970,405	837,451,647

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

	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
		Contractual Maturities September 30, 2018 (Unaudited)					
Financial Assets							
Cash and cash equivalents	P45,998,083	P45,998,083	P -	P -	P -	P -	P45,998,083
Loans and other receivables							
Receivable from customers:							
Consumer	637,313,861	152,378,928	131,257,582	206,573,441	302,881,030	54,985,209	848,076,190
Services	160,242,477	126,681,378	17,191,649	30,011,793	74,186,204	-	248,071,024
Other receivables	24,744,249	-	-	30,109,272	-	-	30,109,272
Dividend receivable	-	-	-	-	-	-	-
Security deposits	3,864,302	-	-	-	-	3,864,302	3,864,302
Other investments*	80,000	-	-	-	-	80,000	80,000
	872,242,972	P325,058,388	P148,449,231	P266,694,506	P377,067,234	P58,849,511	P1.176.198.871
Financial Liabilities							
Notes payable	410,488,178	216,516,805	51,030,597	121,074,137	21,866,639		410.488.178
Accounts payable	27,199,354	27,199,354	-	-	-	-	27.199.354
Accrued interest	37,387,391	37,387,391	-	-	-	-	37.387.391
	475,074,923	281,103,550	51,030,597	121,074,137	21,866,639	-	475.074.923
Net liquidity gap	P397,168,049	P43,954,838	P97,418,634	P14,562,036	P355,200,595	P58,849,511	P701.123.948

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

	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
		Contractual Maturities December 31, 2018 (Audited)					
Financial Assets							
Cash and cash equivalents	₱60,727,435	₱60,727,435	₱—	₱—	₱—	₱—	₱60,727,435
Loans and other receivables							
Receivable from customers:							
Consumer	654,600,487	198,862,650	122,702,881	151,755,490	328,453,297	70,785,806	872,560,124
Services	179,240,789	136,485,304	17,887,248	28,219,991	62,533,000	28,591,018	273,716,561
Other receivables	12,931,053	1,684,901	1,059,586	4,499,756	5,729,543	—	12,973,786
Security deposits	3,900,651	—	—	—	—	3,900,651	3,900,651
Financial assets at FVOCI*	876,710	—	—	—	—	876,710	876,710
	₱912,277,125	₱397,760,290	₱141,649,715	₱184,475,237	₱396,715,840	₱104,154,185	₱1,224,755,267
Financial Liabilities							
Notes payable	464,742,883	44,500,418	107,087,181	313,155,284	—	—	464,742,883
Accounts payable	17,918,996	17,918,996	—	—	—	—	17,918,996
Accrued expenses**	20,846,276	20,846,276	—	—	—	—	20,846,276
	503,508,155	83,265,690	107,087,181	313,155,284	—	—	503,508,155
Net liquidity gap	₱408,768,970	₱314,494,600	₱34,562,534	(₱128,680,047)	₱396,715,840	₱103,357,476	₱721,247,112

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

Market Risk

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

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

Interest Rate Risk

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

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

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

Presented below are the interest-bearing financial instruments:

	Note	**Sept.2019**	Dec.2018
Cash in bank and cash equivalents	*7*	**₱ 68,818,900**	₱58,744,735
Loans and receivable - net	*8*	**929,002,224**	730,120,068
Notes payable	*12*	**(631,931,542)**	(464,742,883)
Net exposure		**₱365,889,582**	₱324,121,920

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**
2018	+100bps	₱3,368,064
	-100bps	(3,368,064)
2017	+100bps	2,346,377
	-100bps	(2,346,377)

6. Segment Information

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

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

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

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

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

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

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

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

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

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

The Company does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues.
Financial information about operating segments follows:

	September 30, 2019 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	**₱189,004,322**	**₱473,395,051**	**₱734,114,687**	**₱74,967,487**	**₱1,471,481,547**
Results of operation					
Revenues					
Interest income	**₱19,827,663**	**₱40,739,954**	**₱51,138,046**	**₱3,936,159**	**₱123,641,822**
Other income	**2,568,819**	**5,463,012**	**3,380,445**	**9,141,837**	**20,554,113**
	22,396,482	**46,202,966**	**62,518,491**	**13,077,996**	**144,195,935**
Expenses					
Interest expense	**3,362,213**	**8,625,917**	**10,106,698**	**236,306**	**20,523,174**
Provision for credit losses	**(1,160,546)**	**5,874,837**	**822,715**	**1,548,685**	**7,085,691**
Operating expenses	**11,730,860**	**16,936,476**	**52,669,522**	**7382,261**	**97,285,055**
	13,932,527	**31,437,230**	**63,598,935**	**9,167,252**	**124,893,920**
Net operating income (loss)	**8,463,955**	**14,765,736**	**(1,080,444)**	**3,910,744**	**19,302,015**
Less: Income tax expense (benefit)	**2,539,186**	**4,429,721**	**1,550,354**	**1,175,473**	**7,667,341**
Net income (loss)	**₱5,924,769**	**₱10,336,015**	**(₱2,630,798)**	**₱2,735,271**	**₱11,634,674**
Statement of financial position					
Total assets	**₱124,133,797**	**₱437,078,544**	**₱623,320,348**	**₱45,638,561**	**₱1,230,215,250**
Total liabilities	**₱71,708,479**	**₱252,487,545**	**₱360,074,010**	**₱26,364,068**	**₱710,659,519**
Other segment information					
Capital expenditures	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**
Depreciation and amortization	**₱352,996**	**₱1,242,910**	**₱1,772,447**	**₱129,982**	**₱3,498,335**

	September 30, 2018 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	**₱158,260,180**	**₱427,580,028**	**₱504,149,645**	**₱30,109,272**	**₱1,120,099,124**
Results of operation					
Revenues					
Interest income	**₱17,563,555**	**₱31,004,860**	**₱47,477,884**	**₱4,232,826**	**₱100,279,125**
Other income	**2,039,455**	**3,827,864**	**10,007,585**	**259,436**	**16,134,340**
	19,603,010	**34,832,724**	**57,485,469**	**4,492,262**	**116,413,465**
Expenses					
Interest expense	**2,282,010**	**6,165,429**	**7,269,513**	**434,156**	**16,151,108**
Provision for credit losses	**(4,114,708)**	**-**	**(6,046,677)**		**(10,161,385)**
Operating expenses	**10,975,256**	**18,941,167**	**66,028,555**	**3,186,365**	**99,131,342**
	9,142,558	**25,106,596**	**67,251,390**	**3,620,521**	**105,121,064**
Net operating income (loss)	**10,460,452**	**9,726,128**	**(9,765,921)**	**871,741**	**11,292,401**
Less: Income tax expense (benefit)	**3,138,136**	**2,917,838**	**2,565,540**	**261,522**	**8,883,037**
Net income (loss)	**₱7,322,316**	**₱6,808,290**	**(₱12,331,461)**	**₱610,219**	**₱2,409,364**

Statement of financial position					
Total assets	**₱137,916,140**	**₱372,615,442**	**₱439,342,183**	**₱26,238,783**	**₱976,112,549**
Total liabilities	**₱67,123,919**	**₱181,352,297**	**₱213,828,266**	**₱12,770,441**	**₱475,074,923**
Other segment information					
Capital expenditures	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**
Depreciation and amortization	**₱517,492**	**₱398,136**	**₱1,648,510**	**₱98,454**	**₱3,662,591**

	December 31, 2018 (Audited)				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	₱166,535,133	₱378,586,886	₱495,635,667	₱118,492,785	₱1,159,250,471
Results of operation					
Revenues					
Interest income	₱23,652,725	₱40,285,247	₱61,636,851	₱8,354,501	₱133,929,324
Other income	3,095,559	8,804,760	4,707,280	7,006,773	23,614,372
	26,748,284	49,090,007	66,344,131	15,361,274	157,543,696
Expenses					
Interest expense	1,560,058	5,481,098	8,960,984	5,486,715	21,488,855
Provision for credit losses	(5,328,844)	541,821	409,088	1,818,559	(2,559,376)
Operating expenses	12,415,643	31,012,835	66,992,955	9,544,335	119,965,768
	8,646,857	37,035,754	76,363,027	16,849,609	138,895,247
Net operating income (loss)	18,101,427	12,054,253	(10,018,896)	(1,488,335)	18,648,449
Less: Income tax (expense) benefit	5,430,428	3,616,276	999,800	(572,551)	9,473,953
Net income (loss)	₱12,670,999	₱8,437,977	**(**₱11,018,696**)**	(₱915,784)	₱ 9,174,496
Statement of financial position					
Total assets	₱109,735,402	₱381,895,803	₱424,107,178	₱103,734,170	₱1,019,472,553
Total liabilities	₱64,834,871	₱193,283,542	₱189,000,790	₱63,056,077	₱510,175,280
Other segment information					
Capital expenditures	₱ -	₱ -	₱ -	₱611,970	₱611,970
Depreciation and amortization	₱673,269	₱2,007,126	₱1,962,653	₱697,876	₱5,340,924

7. Cash and Cash Equivalents

This account consists of:

	Note	**Unaudited September 2019**	Audited December 2018	Unaudited September 2018
Cash equivalents	*11*	**₱24,352,283**	₱23,765,934	₱24,802,968
Cash in banks		**44,466,617**	34,978,801	20,650,015
Cash on hand		**2,910,756**	1,982,700	545,100
		₱71,729,656	₱ 60,727,435	₱45,998,083

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 ₱32 thousand, ₱47 thousand, and ₱29 thousand in September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

As of September 30, 2019, 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 8.5% interest per annum. Interest income on cash equivalents amounted to ₱1.42 million, ₱3.15 million, ₱1.9 million September 30, 2019, and December 31, 2018 and September 30, 2018, respectively (see Note 19).

8. Loans and Other Receivables

This account consists of:

	Note	Unaudited September 2019	Audited December 2018	Unaudited September 2018
Receivable from customers:				
Consumers		**₱1,111,870,087**	₱872,560,125	₱848,076,190
Services		**344,946,578**	273,716,561	248,071,023
Other Receivables		**14,664,882**	12,973,785	30,109,272
		₱ 1,471,481,547	1,159,250,471	₱ 1,126,256,485
Unearned interest income		**(373,245,836)**	(283,034,257)	(277,012,530)
Client's equity		**(39,303,532)**	(108,179,380)	(26,943,368)
Allowance for credit losses		**(115,265,073)**	(29,443,885)	(109,740,650)
		₱ 943,667,106	₱738,592,949	₱ 712,569,936

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

Loans and receivables according to product type:

	Note	Unaudited Sept 2019	Audited December 2018	Unaudited Sept 2018
Motorcycle Financing		**₱575,996,220**	₱485,526,651	₱494,355,581
Business Loans		**354,287,927**	289,475,750	270,864,489
RX Cashline		**189,004,322**	165,638,961	157,364,008
Receivables Purchased		**119,107,124**	98,146,282	89,810,843
Car Loans		**158,118,467**	76,484,813	65,056,313
Corporate Salary Loans		**7,262,588**	5,854,167	7,282,837
		1,403,776,648	1,121,126,624	1,085,142,026
Accrued Interest Receivable		**11,270,801**	11,630,504	11,005,187
Housing Loans		**11,659,773**	10,174,642	-
Personal Loans		**17,583,620**		
Sales Contract Receivable		**1,368,200**	1,491,200	1,775,064
Pension Loan		**12,791,436**	447,622	407,955
Advances to Officers and Employees		**387,610**	182,024	6,844,883
Due From Affiliates		**101,007**	101,007	10,708,724
Miscellaneous Receivables	21	**12,542,452**	14,096,848	10,780,600
		₱1,471,481,547	₱1,159,250,471	₱1,126,256,484

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

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

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱115.32 million and ₱130.8 million, 92.80 million in September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

	September 30, 2019 (Unaudited)			
	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	(11,44,592)	8,230,283	-	7,085,691
At September 30	₱93,17,545	₱1014,81,810	₱4,465,716	₱115,265,071
Total Impairment	₱93,17,545	₱1014,81,810	₱4,465,716	₱115,265,071

	December 31, 2018 (Audited)			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	₱16,942,833	₱97,474,427	₱5,474,776	₱119,892,036
Provisions during the year	(6,480,696)	(4,222,900)	(1,009,060)	(11,712,656)
At December 31	₱10,462,137	₱93,251,527	₱4,465,716	₱108,179,380
Total Impairment	₱10,462,137	₱93,251,527	₱4,465,716	₱108,179,380

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

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

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

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

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

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

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

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

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

9. Property and Equipment

The rollforward analysis of this account follows:

	September 2019 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	**₱ 15,667,510**	**₱7,476,840**	**₱8,716,395**	**₱ 31,860,744**
Additions	**1,483,387**	**-**	**1,805,000**	**3,288,387**
Disposals	**-**	**-**	**-**	**-**
At September 30	**₱ 17,150,897**	**₱7,476,840**	**₱ 10,521,395**	**₱ 35,149,131**

Accumulated Depreciation and Amortization				
At January 1	**14,316,103**	**4,548,243**	**5,907,227**	**24,771,573**
Depreciation and amortization	**865,660**	**964,478**	**1,206,531**	**3,036,669**
Disposals	**-**	**-**	**-**	**-**
At September 30	**₱ 15,181,763**	**₱ 5,512,721**	**₱ 7,113,758**	**₱ 27,808,242**
Carrying Amount	**₱ 1,969,134**	**₱ 1,964,118**	**₱ 3,407,637**	**₱ 7,340,889**

	September 2018 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,539	₱7,476,840	₱8,716,395	₱31,248,774
Additions	333,098	-	-	333,098
Disposals	-	-	-	-
At September 30	₱15,388,637	₱7,476,840	₱8,716,395	₱31,581,872
Accumulated Depreciation and Amortization				
At January 1	₱12,773,605	₱3,155,087	₱4,469,185	₱20,397,877
Depreciation and amortization	1,283,731	1,069,151	1,078,531	3,431,413
Disposals	-	-	-	-
At September 30	₱14,057,336	₱4,224,238	₱5,547,716	₱23,829,290
Carrying Amount	₱1,331,302	₱3,252,601	₱3,168,679	₱7,752,581

	December 31, 2018 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,538	₱7,476,840	₱8,716,395	₱31,248,773
Additions	611,970	-	-	611,970
Disposals	-	-	-	-
At December 31	15,667,508	7,476,840	8,716,395	31,860,743
Accumulated Depreciation and Amortization				
At January 1	12,756,436	3,155,087	4,486,353	20,397,876
Depreciation and amortization	1,542,498	1,393,156	1,438,042	4,373,696
Disposals	-	-	-	-
At December 31	14,298,934	4,548,243	5,524,395	24,771,572
Carrying Amount	₱ 1,368,574	₱2,928,597	₱2,792,000	₱7,089,171

As at September 30, 2019 and 2018 and December 31, 2018, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱3.26 million, ₱3.26 million and ₱2.44 million, respectively.

As at September 30, 2019 and December 31, 2018, there were no property and equipment pledged as collateral for liabilities.

10. Investment Properties - net

This account consists of cost of land:

	September 30, 2019 (Unaudited)		
	Land	**Building**	**Total**
Cost			
At January 1	**₱47,989,954**	**₱15,285,692**	**₱63,275,646**
Additions	**2,000,000**	**-**	**2,000,000**
Disposals	**-**	**-**	**-**
At December 31	**49,989,954**	**15,285,692**	**65,275,646**
Accumulated Depreciation and Amortization			
At January 1		**1,128,070**	**1,128,070**
Depreciation	**-**	**506,640**	**506,640**
At December 31	**-**	**1,634,710**	**1,634,710**
Allowance for impairment loss	**(507,199)**	**-**	**(507,199)**
Net book value	**₱49,482,755**	**₱13,650,982**	**₱63,133,737**

	September 30, 2018 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱42,641,421	₱-11,637,000	₱54,278,421
Additions	8,732,413	-	8,732,413
Disposals	-	-	-
At December 31	51,373,834	11,637,000	63,010,834
Accumulated Depreciation and Amortization			
Depreciation and amortization	-	452,550	452,550
At December 31	-	452,550	452,550
Carrying Amount	₱51,373,834	₱11,184,450	₱62,558,284

	Dec. 31, 2018 (Audited)		
	Land	Building	Total
Cost			
At January 1	₱43,580,954	₱11,637,000	₱55,217,954
Additions	-	8,899,692	8,899,692
Reclassification	5,251,000	(5,251,000)	-
Disposals	(842,000)	-	(842,000)
At December 31	47,989,954	15,285,692	63,275,646
Accumulated Depreciation and Amortization			
At January 1	-	452,550	452,550
Depreciation and amortization	-	675,520	675,520
At December 31	-	1,128,070	1,128,070
Allowance for impairment loss	(507,199)	-	(507,199)
Carrying Amount	₱47,482,755	₱14,157,622	₱61,640,377

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

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to 4.32 million and 10.53 million in 2018 and 2017, respectively. These are presented under "Gain on foreclosed assets" account in the statement of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to 148,628 in December 31, 2018.

No income was generated relating to these investment properties in September 30, 2019 and December 31, 2018.

11. Other Assets - net

This account consists of:

	Note	**Unaudited September 2019**	Audited December 2018	Unaudited September 2018
Motorcycle units,net	*11*	**₱68,114,924**	₱70,577,608	₱65,154,554
Prepaid expenses		**6,340,534**	5,289,819	6,106,633
Security deposits		**4,023,252**	3,900,651	3,864,302
Software costs		**823,861**	103,387	163,917
Other investments		**80,000**	876,710	80,000
Others		**336,227**	-	-
		₱79,718,798	₱80,748,175	₱75,369,407

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Included in the statements of comprehensive income the provision for impairment loss of motorcycle units amounting to ₱5.49 million, ₱6.40 million and ₱11.78 million in September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

The movements in software costs follow:

	Unaudited September 2019	Audited December 2018	Unaudited September 2018
Cost			
At January 1	**₱5,098,717**	₱5,078,615	₱5,078,615
Additions	**915,501**	20,102	20,102
At September 30 and December 31	**6,014,218**	5,098,717	5,098,717
Accumulated Amortization			
At January 1	**4,703,622**	4,703,622	4,703,622
Amortization for the year	**486,735**	291,708	231,178
Accumulated amortization	**5,190,357**	4,995,330	4,934,800
At September 30 and December 31	**₱ 823,861**	₱ 103,387	₱ 163,917

12. Notes Payable

This account consists of:

	Note	**Unaudited September 2019**	Audited December 2018	Unaudited September 2018
Related parties	*21*	**₱450,265,272**	₱320,866,395	₱240,083,518
Banks		**173,166,270**	135,376,488	160,504,660
Individuals		**8,500,000**	8,500,000	9,900,000
		₱631,931,542	₱464,742,883	₱410,488,178

Interest rates from borrowings range from 4% to 6% per annum in 2019 and 2018.

Interest expense on these notes payable amounted to ₱20.52 million, ₱21.49 million, and ₱16.1 million in September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

Notes payable to banks have a maturity of up to three (3) years. As at September 30, 2019 and December 31, 2018, 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:

	September 2019		December 31 2018	
	Carrying Amount	**Secured Notes**	Carrying Amount	Secured Notes
Motorcycle financing	**₱244,022,280**	**₱173,166,270**	₱194,976,496	₱135,376,488

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13. Accrued Expenses

This account consists of:

	Note	**Unaudited September 2019**	Audited December 2018	Unaudited September 2018
Accrued taxes		**₱ 6,310,821**	₱5,027,072	₱5,269,780
Accrued occupancy costs		**4,798,750**	3,215,311	7,058,941
Accrued interest	*21*	**7,684,989**	3,163,813	5,421,615
Accrued management and professional fees		**1,634,950**	953,740	856,419
Accrued administrative expenses		**4,341,227**	783,723	
Accrued government payable		**494,478**	343,452	453,084
Others		**5,727,122**	12,386,237	11,090,173
		₱30,992,337	₱25,873,348	₱30,150,012

14. 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.

	September 30, 2019 (Unaudited)			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	₱71,729,656	₱-	₱71,729,656	₱60,727,435	₱-	₱60,727,435
Loans and other receivables - gross	837,659,455	633,822,092	1,471,481,547	663,157,807	496,092,664	1,159,250,471
Security deposits, Other investments		4,899,962	4,899,962	-	4,777,361	4,777,361
	909,389,111	638,722,054	1,548,111,165	723,885,242	500,870,025	1,124,755,267
Nonfinancial Assets						
Property and equipment-net	-	7,340,889	7,340,889	-	7,089,171	7,089,171
Investment properties -net	-	63,133,737	63,133,737	-	61,640,377	61,640,377
Deferred tax assets	-	64,625,063	64,625,063	-	70,430,319	70,430,319
Retirement plant assets-net		244,127	244,127	-	244,127	244,127
Other assets*	22,851,876	51,722,833	74,574,709	5,271,318	70,699,496	75,970,814
	22,851,876	187,066,649	209,918,525	5,271,318	210,103,490	215,374,808
Less: Allowance for credit and impairment losses	(61,944,341)	(53,320,730)	(115,265,071)	(61,884,815)	(46,294,565)	(108,179,380)
Unearned interest income	(182,805,082)	(190,440,754)	(373,245,836)	(161,911,840)	(121,122,417)	(283,034,257)
Client's equity	(39,303,532)	-	(39,303,532)	(29,443,885)	-	(29,443,885)
	(284,052,955)	(243,761,484)	(527,814,439)	(253,240,540)	(167,416,982)	(420,657,522)
	648,188,032	582,027,219	1,230,215,251	₱475,916,020	₱543,556,533	₱1,019,472,553
Financial Liabilities						
Notes payable	537,320,827	94,610,715	631,931,542	464,742,883	-	464,742,883
Accounts payable	46,835,641	-	46,835,641	17,918,996	-	17,918,996
Accrued interest	23,653,073	-	23,653,073	20,846,276	-	20,846,276
	607,809,541	94,610,715	702,420,256	503,508,155	-	503,508,155
Nonfinancial Liabilities						
Accrued expenses*	6,637,559	-	6,637,559	5,027,072	-	15,689,258
Retirement liability	-	900,000	900,000	-	-	436,790
Deferred tax liability				-	1,028,443	1,028,443
Income tax payable	701,704	-	701,704	611,610	-	611,610
	7,339,263	900,000	8,239,263	5,638,682	1,028,443	6,667,125
	615,148,804	95,510,715	710,659,519	₱509,146,837	₱1,028,443	₱510,175,280

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

15. Equity

On July 25, 2019, the BOD and stockholders approved the declaration of 4.25% stock dividends (including the special dividend of 30,000,000 shares) in the amount of ₱ 31,376,132 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 ₱1,377,045.64. Fractional shares related to this declaration were settled in cash with a total amount of ₱42.44.

On July 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8,159,810 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 ₱8,159,871. Fractional shares related to this declaration were settled in cash with a total amount of ₱61.00.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6,949,745 to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,949,792. Fractional shares related to this declaration were settled in cash with a total amount of ₱47.00.

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

As at September 30, 2019, the Company has 262,948,243 common shares issued and outstanding which were owned by 108 shareholders.

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

	Sept 2019 (Unaudited)		December 31, 2018 (Audited)		Sept 2018 (Unaudited)	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	**231,572,111**	**₱231,572,111**	223,412,301	₱223,412,301	**223,412,301**	**₱223,412,301**
Stock dividends	**31,376,132**	**31,376,132**	8,159,810	8,159,810	**8,159,810**	**8,159,810**
At September 30, 2017	**262,948,243**	**₱262,948,243**	231,572,111	₱231,572,111	**231,572,111**	**₱231,572,111**

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

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

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes in 2016.

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 quarter ended September 30, 2019 and for the year ended December 31, 2018, the Company was in compliance with the minimum paid-up capital.

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

16. 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:

	2018	2017
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,817,148**	₱1,713,951
Past service costs – curtailments	**—**	(3,986,449)
Net interest expense:		
Interest expense	**378,651**	419,877
Interest income on plan assets	**(353,754)**	(336,521)
	1,842,045	(2,189,142)
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	**(3,130,409)**	691,224
Adjustment remeasurement gain on defined benefits obligation	**(905,181)**	—
Remeasurement loss on plan assets	**589,064**	385,338
Remeasurement loss on effect of asset ceiling	**18,383**	—
	(3,428,143)	1,076,562
Total components of retirement liability	**(₱1,586,098)**	(₱1,112,580)

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

	2018	2017
Present value of retirement benefits obligation	**₱5,708,396**	₱6,643,006
Fair value of plan assets	**(5,970,906)**	(6,206,216)
Funded status – deficit (surplus)	**(262,510)**	436,790
Effect of asset ceiling	**18,383**	—
Net defined benefit liability (asset)	**(₱244,127)**	₱436,790

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

	2018	2017
Balance at beginning of year	**₱6,643,006**	₱7,804,403
Current service cost	**1,817,148**	1,713,951
Past service costs – curtailments	**—**	(3,986,449)
Interest expense	**378,651**	419,877
Remeasurement (gains) losses on obligation arising from:		
Changes in financial assumptions	**(2,094,951)**	(416,267)
Experience adjustment	**(1,035,458)**	1,107,491
Balance at end of year	**₱5,708,396**	₱6,643,006

A curtailment significantly reduced the number of employees covered by the plan which resulted in the recognition of past service cost in 2017.

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

	2018	2017
Balance at beginning of year	**₱6,206,216**	₱6,255,033
Interest income	**353,754**	336,521
Remeasurement loss on plan assets	**(589,064)**	(385,338)
Effect of asset ceiling	**(18,383)**	—
Balance at end of year	**₱5,952,523**	₱6,206,216

Changes in the retirement benefit liability (asset) follow:

	2018	2017
Balance at beginning of year	**₱436,790**	₱1,549,370
Current service cost	**1,817,148**	1,713,951
Past service costs - curtailments	**—**	(3,986,449)
Net interest cost on the retirement liability	**24,897**	83,356
Remeasurement loss on plan assets	**589,064**	385,338
Effect of asset ceiling	**18,383**	—
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**(1,035,458)**	1,107,491
Changes in financial assumptions	**(2,094,951)**	(416,267)
Balance at end of year	**(₱244,127)**	₱436,790

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

	2018	2017
Cash and cash equivalents	**₱1,240,949**	₱1,184,578
Financial assets at FVPL	**4,685,499**	4,985,936
Accrued and other receivables	**44,458**	35,702
	₱5,970,906	₱6,206,216

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

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

	January 1	
	2018	2017
Discount rate	**7.53%**	5.70%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**26.9**	27.7

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**	**(₱845,530)**
	-100 basis point	**1,042,051**
Future salary increases	**+100 basis point**	**1,058,788**
	-100 basis point	**(871,306)**

Deferred tax liability recognized for the actuarial gains amounted to ₱1,028,443.

The Company has no contributions to the defined benefit plan in 2018.

The average duration of the defined benefit plan as at the reporting date is 16.5 years and 19.1 years for year 2018 and 2017, respectively.

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

17. Miscellaneous

Miscellaneous income consists of the following items:

	Unaudited September 2019	Audited December 2018	Unaudited September 2018
Penalties	**₱ 7,205,257**	₱8,988,019	₱ 7,205,257
Recoveries	**422,144**	3,413,331	1,281,395
Others	**141,780**	110,238	75,192
	₱ 7,039,862	₱12,511,588	₱ 8,561,844

Miscellaneous expenses consists of the following items:

	Unaudited September 2019	Audited December 2018	Audited September 2018
Communication	**₱**	₱2,049,463	₱
Repairs and maintenance	**838,698**	1,655,406	1,410,669
Stationeries and supplies	**1,820,727**	1,443,904	1,400,007
Insurance	**1,166,236**	1,921,282	1,320,321
Meetings and conferences	**112,182**	220,200	120,060
Training and development	**204,000**	166,133	144,161
Others	**2,907,957**	1,659,975	4,395,315
	₱7,049,800	₱9,116,363	₱8,790,533

18. Income Taxes

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

The components of the Company's income tax expense (benefit) for the years ended September 30, 2019 and December 31, 2018 follow:

	Unaudited September 2019	Audited December 2018
Current:		
MCIT	**₱1,859,836**	₱ 2,078,273
RCIT	**-**	-
Deferred	**5,807,505**	7,395,680
	₱7,667,341	₱9,473,953

The components of deferred tax assets follow:

	Unaudited September 2019	Audited December 2018	Unaudited September 2018
Deferred tax assets on:			
Allowance for impairment and credit losses	**₱34,557,011**	₱32,453,814	₱32,919,195
Inventory write-down of motorcycle	**15,156,164**	14,132,609	25,171,209
NOLCO	**14,072,537**	23,027,054	11,135,654
Accrued expenses	**2,044,976**	2,022,466	981,160
Past service cost	**48,352**	48,352	80,095
	65,879,040	71,684,295	70,287,313
Deferred tax liabilities on:			
Remeasurement gain on defined benefit obligation	**(1,253,976)**	(1,253,976)	1,576,945
	₱64,625,064	₱70,430,319	₱71,864,258

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

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	**₱14,527,909**	**₱—**	**₱14,527,909**	2021
2017	25,110,093	—	25,110,093	2020
2016	37,118,846	29,848,393	7,270,453	2019
	₱76,756,848	₱29,848,393	**₱46,908,455**	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	**₱1,859,836**	**₱—**	**₱1,859,836**	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
	₱8,668,783	**₱—**	**₱8,668,783**	

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

	Unaudited Sept. 30, 2019	Audited Dec. 2018
Income before income tax	₱19,302,016	₱18,648,449
Income tax computed at statutory rate (30%)	5,790,605	5,594,535
Additions to (reduction in) income tax resulting from the tax effects of:		
Nondeductible expense	270,000	552,973
Non-deductible interest expense	179,287	395,940
Interest income subjected to final tax and dividend income	(434,636)	(959,855)
Gain on repossessed assets	-	(1,296,184)

DTA on temporary difference	3,771,791	2,077,913
Adjustment on the beginning DTA	(1,909,706)	3,108,631
Effective Income tax expense(benefit)	₱7,667,341	₱9,473,953

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.75 million and ₱0.75million in September 30, 2019 and December 31, 2018, respectively.

19. 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:

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	*Ref*	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Parent Company								
Amalgamated Investment Bancorporation								
Miscellaneous receivables	*a*	**₱ —**	**₱80,514**	**₱ —**	₱ —	₱80,514	₱ —	Non-interest bearing, unsecured; no impairment
Notes payable	*b*			**245,100,000**		—	161,900,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		**177,000,000**	—	—	9,000,000	—	—	
Settlements		**93,800,000**	—	—	212,000,000	—	—	
Interest expense		**9,250,114**	—	**2,599,083**	18,867,920	—	3,483,367	
Share in net income of an associate	*c*	–	–	–	2,252,071	—	—	Share in income from investee's profit
Short-term placements	*d*	—	—	—	486,700,000	—	—	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		—	—	—	528,391	—	—	
Entities under related common control								
Motor Ace Philippines, Inc.								
Miscellaneous Receivables	*a*		—	—	—	2,110,298	—	Non-interest bearing, unsecured; no impairment
Availments		**320,477**	—	—	492,554	—	—	
Settlements		**2,430,775**	—	—	285,553	—	—	

Forward

Category/Transaction	Ref	2018 Amount of Transactions	2018 Outstanding Balances Due from Related Parties	2018 Outstanding Balances Due to Related Parties	2017 Amount of Transactions	2017 Outstanding Balances Due from Related Parties	2017 Outstanding Balances Due to Related Parties
Accounts payable	*e*		**₱ —**	**₱12,451,141**		₱ —	₱4,363,429
Availments		**87,171,559**	**—**	**—**	₱57,558,482	—	—
Settlements		**79,083,847**	**—**	**—**	51,705,530	—	—
MAPI Lending Investors, Inc.							
Accounts payable	*a*		**1,494,807**	**—**		752,160	—
Availments		**1,077,320**	**—**	**—**	2,347,868	—	—
Settlements		**334,,673**	**—**	**—**	1,649,658	—	—
Accounts payable	*e*			**—**			4,868,402
Availments		**108,240**	**—**	**—**	7,484,447	—	—
Settlements		**4,976,642**	**—**	**—**	5,004,041	—	—
Short-term placements	*d*	**32,648,250**	**22,731,983**	**—**	17,497,050	12,663,844	—
Interest income		**1,828,156**	**950,840**	**—**	1,352,873	565,800	—
MHW Lending Investors, Inc.							
Short-term placements	*d*	**40,000,000**	**—**	**—**	94,000,000	84,103,562	—
Interest income		**3,418,489**	**83,111**	**—**	3,515,873	2,463,819	—
Honda Motor World, Inc.							
Miscellaneous Receivables	*a*		**—**	**—**	—	2,399,331	—
Availments		**86,406**	**—**	**—**	25,120	—	—
Settlements		**2,485,737**	**—**	**—**	71,883	—	—
Accounts payable	*b*	**-**	**—**	**1,266,646**	-	—	1,489,503
Availments		**30,839,616**	**—**	**—**	23,035,167	—	—
Settlements		**31,062,473**	**—**	**—**	27,540,888	—	—-
Pikevill Bancshares							
Professional fees		**1,193,920**	**—**	**390,320**	1,193,920	—	326,032
MERG Realty Development Corp.							
Miscellaneous Receivables	*a*		**18,057**	**—**		18,057	—
Availments		**—**	**—**	**—**	—	—	—
Settlements		**—**	**—**	**—**	—	—	—

Forward

Category/Transaction	Ref	2018 Amount of Transactions	2018 Outstanding Balances Due from Related Parties	2018 Due to Related Parties	2017 Outstanding Balances Amount of Transactions	2017 Due from Related Parties	2017 Due to Related Parties	Nature, Terms and Condition
Notes payable	*b*			**47,358,487**		—	44,406,271	Unsecured, interest bearing
Availments		**10,007,418**	—	—	31,406,271	—	—	placement at 5.5% annual interest rate;
Settlements		**7,055,202**	—	—	—	—	—	No impairment
Interest expense		**2,522,469**	—	—	1,439,709	—	—	
Directors and other stockholders								
Notes payable	*b*		—	**23,378,673**		—	24,276,776	Unsecured, interest bearing
Availments		**9,097,897**	—	—	8,790,369	—	—	placement at
Settlements		**9,996,000**	—	—	19,720,488	—	—	5.5% annual interest rate; no impairment
Interest expense		**1,564,472**	—	**16,780**	1,420,225	—	**16,780**	
Professional fees and other management fees		**4,158,291**	—	—	2,683,498	—	—	Payment of professional fees
TOTAL			**₱25,359,312**	**₱332,561,130**		₱105,091,124	₱245,125,365	

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

b. As at December 31, 2018 and 2017, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱315.84 million and ₱230.58 million, respectively and ₱2.62 million and ₱3.48 million, respectively. Interest expense from these borrowings amounted to ₱13.34 million and ₱21.90 million in 2018 and 2017, respectively.

   Borrowings availed from related parties amounted to₱196.11and ₱49.20 million in 2018 and 2017, respectively. Settlement from borrowings amounted to ₱110.85 and ₱231.72 million in 2018 and 2017, respectively. Interest rates from borrowings range from5.0% to 5.75% and 5.5% to 5.75% in 2018 and 2017 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of Ala of its own 6.0 million shares with a cost of ₱33.33 million and accumulated equity in net earnings of ₱42.02 million.

d. The Company had short-term placements with related parties amounting to ₱72.65 million and ₱598.21 million in 2018 and 2017, respectively. As at December 31, 2017 and 2016, ₱5.25 million and ₱99.79 million of these placements remain outstanding. Interest income from these placements amounted to ₱3.75 million ₱0.26 million in 2017 and 2016, respectively (Note 7).

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

f. 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 ₱18.69 million, ₱17.80 million and₱17.07 million in 2018 ,2017 and 2016, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

20. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

		Unaudited September 2019	Audited December 2018	Unaudited September 2018
a.	Net income	**₱ 11,634,674**	₱9,174,496	₱ 2,409,365
b.	Weighted average number of outstanding common shares	**247,260,177**	226,132,258	231,572,111
c.	Basic/diluted earnings per share (a/b)	**₱0.047**	₱0.04	₱0.01

The weighted average number of outstanding common shares in 2019 and 2018 was recomputed after giving retroactive effect to stock dividends declared on July 25 ,2019 and July 26, 2018, however, the impact to the EPS was immaterial (see Note 17).

21. Lease Commitment

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

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

	Unaudited September 2019	Audited December 2018	Unaudited September 2018
Less than one year	**₱13,102,722**	₱13,102,722	₱9,853,666
Between one and five years	**18,647,091**	18,647,091	18,543,031
	₱31,751,831	₱31,751,831	₱28,396,697

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

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

The following are the tax information required for the period ended September 30, 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 September 2019 consist of the following:

Gross receipts tax (GRT)	**₱ 6,697,276**
Documentary stamp tax (DST) on loan instruments	**3,839,138**
License and permit fees	**884,886**
	₱11,421,300

B. Withholding taxes

Details of the withholding taxes as at September 30, 2019 follow:

Expanded withholding taxes	**₱ 3,702,399**
Withholding taxes on compensation and benefits	**2,370,233**
	₱ 6,072,632

C. Tax Cases

As at September 30, 2019 , the Company has no pending tax court cases.

D. Tax Assessment

As at September 30, 2019, the Company has no pending tax assessment.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
September 30, 2019

	Sept 2019 (Unaudited)	Dec. 2018 (Audited)	Sept 2018 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	142.88%	156.68%	163.20%
Debt to equity ratio	136.78%	100.17%	94.82%
Quick ratio	142.88%	92.25%	141.69%
PROFITABILITY RATIOS			
Return on assets (annualized)	1.26%	0.90%	0.33%
Return on equity (annualized)	2.99%	1.80%	0.64%
Net profit margin	41.18%	49.20%	39.5%
ASSET TO EQUITY RATIO	236.78%	191.56%	200.17%
INTEREST RATE COVERAGE RATIO	2.48	1.11	1.87
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	5.13%		0.10% 6.05%
Total receivables to total assets	76.71%	72.45%	73%
Total DOSRI receivables to networth	2.37%	4.71%	3.01%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	0.02%	0.00%	0.33%
Honda Motor World, Inc. (HMWI)	0.00%	0.00%	0.33%
Amalgamated Investment Bancorporation (AIB)	0.01%	0.01%	0.01%
MAPI Lending Investors, Inc (MAPILI)	0.27%	0.20%	0.12%

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 EBIT divided by total interest income
- 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 OF SEPTEMBER 30, 2019

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	899,384,914	6,098,941	3,395,675	2,402,947	8,174,136	124,810,684	**1,044,267,296**
SUB-TOTAL	**899,384,914**	**6,098,941**	**3,395,675**	**2,402,947**	**8,174,136**	**124,810,684**	**1,044,267,296**
Less: Allowance for Doubtful Accounts**						115,265,071	**115,265,071**
Net Trade Receivables	**899,384,914**	**6,098,941**	**3,395,675**	**2,402,947**	**8,174,136**	**9,545,613**	**929,002,225**
***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)*	14,664,882	-	-	-	-	-	14,664,882
SUB-TOTAL	14,664,882	-	-	-	-	-	14,664,882
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	14,664,882	-	-	-	-	-	14,664,882
NET RECEIVABLES	**914,049,796**	**6,098,941**	**3,395,675**	**2,402,947**	**8,174,136**	**9,545,613**	**943,667,107**