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 R D F L O O R M A Z D A M A K A T I

B U I L D I N G 2 3 0 1 C H I N O R O C E S

B A R A N G A Y M A G A L L A N E S

A V E N U E M A K A T I C I T Y 1 2 3 1

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

MARCOS E. LAROSA

Contact Person

(02) 751-8132

Company Telephone Number

PRELIMINARY INFORMATION STATEMENT

1 2 — *Month*

3 1 — *Day*

Fiscal Year

2018

SEC Form 20 - IS

FORM TYPE

0 7 — *Month*

Day

Annual Meeting

Every last Thursday of July

Financing

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

105

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

June 22, 2018

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

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Dept.

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 25 2018
MARKET REGULATION DEPT.
BY: TIME: 2:20pm

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 III**
OIC, Head of Disclosure Department

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Preliminary Information Statement in relation to Annual Stockholder's Meeting to be held on July 26, 2018 at the Makati Shangri-La Hotel, Makati City.

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

Very truly yours,

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer

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

NOTICE OF THE 2018 ANNUAL STOCKHOLDER'S MEETING

TO ALL SHAREHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on **26 July 2018, Thursday, 4:00 p.m.**, at the Pasay A Function Room, **Makati Shangri-La Hotel**, Ayala Avenue corner Makati Ave., Makati City, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 27 July 2017.
4. Presentation and Approval of the 2017 Annual Report and 2017 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Declaration of Cash /Stock Dividends
7. Election of Directors
8. Appointment of Independent External Auditors
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 25 June 2018. Registration for the meeting shall be at 3:30 p.m. Please present and provide any proof of identification, such as driver's license, passport, or government issued I.D, to facilitate registration. The Annual Stockholders' Meeting is a business meeting and children shall not be allowed in the venue.

Any instrument authorizing proxy to act as such shall be submitted to and received at the principal office of the corporation on before 19 July 2018, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies which have not been submitted shall be on 20 July 2018 at 10:30 a.m. at the principal office of the Corporation. Holders of proxies which have not been submitted and validated in accordance with the foregoing shall not honoured which have not been submitted and validated in accordance with the foregoing shall not be honoured during the meeting. No proxy is being solicited.

22 June 2018.

ATTY. D. ENRIQUE O. CO
Corporate Secretary

P R O X Y

The undersigned stockholder of MAKATI FINANCE CORPORATION (the "Corporation") hereby constitutes and appoints _______________________________________as proxy to represent and vote **all shares of stock** registered in the name of the undersigned stockholder in the books of the Corporation at all meetings (annual or special) of the stockholders of the Corporation, including that to be held on **26 July 2018, Thursday, at 4:00 p.m.**and at any postponement or adjournment thereof.The proxy is authorized to vote on all matters which may be taken up by thestockholders during the meeting(s). This proxy shall be valid for all stockholders meetings held within a period of five (5) years from the date indicated below, unless sooner revoked or superseded by the undersigned.

____
Date

____
NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER
OR DULY AUTHORIZED REPRESENTATIVE

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

Securities and Exchange Commission
Electronic Records Management Division
AUG 10 2017
9
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ALAN MICHAEL R. CRUZ,** Filipino, of legal age and with residence address at No. 410 Madrigal Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **Makati Finance Corporation** (**"MFIN"**)

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
NORTHPINE LAND INC.	President and General Mgr.	June 2011 – Dec.2016
SAN MIGUEL PROPERTIES, INC.	Real Estate Development Mgr.	March 2007 – June 2011
UNITED COCONUT PLANTERS BANK (UCPB)	VP and Division Head, Corporate Service Division	2004 – 2007
UNITED COCONUT PLANTERS BANK (UCPB)	VP and OIC, Asset Management Division	2000 – 2003
BELLE CORPORATION	Asst. VP–Construction Division	1995 – 2000
KREUZ MANAGEMENT	Assistant Vice President	1988 – 1994
A.R. CRUZ & PARTNERS	Managing Director	1989 – 1995
WEISBERG, CASTRO & ASSOCIATES, NEW YORK, USA	Project Architect	1988 – 1989
BRENNAN BEER GORMAN ARCHITECTS, NEW YORK,USA	Designer	1986 – 1988

2. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (the "SEC").

3. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceedings.

4. To the best of my knowledge, I am not neither an officer nor an employee of any government agency or Government-Owned and Controlled Corporation.

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 08th day of August, 2017 at Makati City, Philippines.

ALAN MICHAEL R. CUZ
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of AUG 09 2017 at MAKATI CITY affiant personally appeared before me and exhibited his Drivers License No.N02-82-095668, expiry date on September 20, 2018, issued by the Land Transportation Office on September 17, 2015.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY

Doc No. 130
Page No. 27
Book No. 113
Series of 2017

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MR. LAWRENCE EE,** Singaporean, of legal age and with residence address at 34 Dunbar Walk, Singapore 459326, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of independent director of Makati Finance Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Amalgamated Investment Bancorporation	Director	2015 – present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (the "SEC").

4. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceedings.

5. To the best of my knowledge, I am not neither an officer nor an employee of any government agency or Government-Owned and Controlled Corporation.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this AUG 0 9 2017 day of August, 2017 at Makati City, Philippines.

LAWRENCE EE
Affiant

SUBSCRIBED AND SWORN to before me this AUG 0 9 2017 day of ___ at MAKATI CITY affiant personally appeared before me and exhibited his Passport Number E4134630J issued by the Department of Foreign Affairs, Manila on December 1, 2015.

Doc No. 01
Page No. 02
Book No. 119
Series of 2017

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN. 29,2007
PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of Makati Finance Corporation

2. I am affiliated with the following companies or organizations:

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

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (the "SEC").

4. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceedings.

5. To the best of my knowledge, I am not neither an officer nor an employee of any government agency or Government-Owned and Controlled Corporation.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this 08th day of August 2017 at Pasig City, Philippines.

FRANCISCO C. EIZMENDI, JR.
Affiant

Subscribed and sworn to before me this ___ day of AUG 0 9 2017 at MAKATI CITY affiant personally appeared before me and exhibited his Tax Information Number (TIN) 119-132-505.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-08
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706782, LIFETIME MEMBER JAN. 29, 2007
PTR No. 590-90-02 JAN 3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Doc No. 02
Page No. 02
Book No. 119
Series of 2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 25 2018
MARKET REGULATION DEPT.
BY: [illegible] TIME: 2:20 pm

1. Check the appropriate box:

   [/] Preliminary Information Statement
   [ ] Definitive Information Statement

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

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

4. SEC Identification Number **28788**

5. BIR Tax Identification Code **000-473-966**

6. **3F Mazda Makati, 2301 Chino Roces Ave., Brgy. Magallanes, Makati City 1231**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code **(02) 751-8132**

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

   Date : **July 26, 2018**
   Time : **4:00 p.m.**
   Place : **Pasay A Function Room, Makati Shangri-la Hotel, Ayala Ave., corner Makati Ave., Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 05, 2018**.

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON STOCK	**223,412,301**

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

    Yes / No ____

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on **July 26, 2018, 4:00 p.m**. at the Pasay A Function Room, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City. The complete mailing address of the principal office of Makati Finance Corporation is: 3/F Mazda Makati, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on **July 05, 2018**.

DISSENTERS' RIGHT OF APPRAISAL

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

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

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

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

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

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2018** is **223,412,301** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors. Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code.

Stockholders of record of the Company as of **June 25, 2018** ("the Record Date") shall be entitled to notice of, and to vote at, the Special Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% AS OF MAY 31, 2018)

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	94,488,680	42.2900%
Common	Motor Ace Phils. Inc. (UNDER : PCD NOMINEE CORP-FILIPINO) MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	56,516,496	25.3000%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	15,609,435	6.9900%

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT (AS OF MAY 31, 2018)

Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	6,230,663	2.7900%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	5,111,481	2.2900%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	266,182	0.1190%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	266,182	0.1190%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	255,549	0.1100%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,250,578	1.0100%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,096	0.0000%
Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	450,326	0.2014%
Common	Juan Carlos Del Rosario Unit 9 17-A, Mckinley Road, Forbes Park, Makati City	Beneficial owner	Filipino	29	0.00000%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	15	0.00000%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.00000%
Common	Jose Daniel R. Borromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,097	0.00000%
Common	Lawrence Ee Hock Leong Residence 34, Dunbar Walk, Singapore	Beneficial owner	Singaporean	1	0.00000%
Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%

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

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

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Eric B. Benitez, Chairman, Mr. Max O. Borromeo, Mr. Rene B. Benitez and Mr. Jose Daniel R. Borromeo as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. The nominated individuals to be elected during the Stockholders' Meeting, for the term 2018 to 2019, are as follows:

1. Mr. Rene B. Benitez
2. Mr. Max Francisco Jose O. Borromeo
3. Mr. Joel S. Ferrer
4. Mr. Francisco Eizmendi Jr.
5. Mr. Eric B. Benitez
6. Mr. Juan Carlos del Rosario
7. Mr. Lawrence Hock Leong Ee
8. Mr. Jose Daniel R. Borromeo
9. Mr. Maxcy Francisco Jose R. Borromeo
10. Alan Michael R. Cruz
11. Robert Charles M Lehmann

Mr. Lawrence Hock Leong Ee, Mr. Francisco Eizmendi, Jr. and Mr. Alan Michael R. Cruz have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Ee, Mr. Eizmendi and Mr. Cruz up to the fourth degree either by consanguinity or affinity.

DIRECTORS AND EXECUTIVE OFFICERS

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

Mr. Rene B. Benitez, 56, Filipino, is the Company's *Chairman* and has been a director since 1996. Prior to assuming his role as Chairman, Mr. Benitez has served in various board and senior executive capacities. Mr. Benitez is also Chairman, FCA Orbita LLC, a real estate asset management company based in New York. He is Executive Committee Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. Mr. Benitez is a highly experienced director, currently serving in various international boards, among them are FPC 30 Green Energy Fund, a public power generation company in Australia, and the Yale Graduate School Alumni Association in New Haven, CT. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

Mr. Juan Carlos del Rosario, 68, Filipino, has served as a *Director* since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurance Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was also a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

Mr. Max Francisco Jose O. Borromeo, 69, Filipino, is the Company's *President*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc., and Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Joel S. Ferrer, 64, Filipino, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also managing interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., 82, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Member of Board Advisers of East West Seed (Philippines). Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He was an Independent Director of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Mr. Eric B. Benitez, 51, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Lawrence Hock Leong Ee, 76, Singaporean, is one of the Independent Directors. He has been a Director since 2014 and was elected as a Independent Director on July 27, 2017.. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation and lifetime member of the Institute of Singapore Chartered Accountants.

Mr. Maxcy Francisco Jose R. Borromeo, 45, *Filipino, is the Company's President.* He was Chief Operating Officer of Makati Finance Corporation since 2014-2016 and He was elected as Director last July 28, 2016. Aside from being a President of the Company, Mr. Borromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation and Borromeo Brother's Estate, Inc. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and Financial Management. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Jose Daniel R. Borromeo, 46 Filipino, He was elected as Director last July 28, 2016. He is the President and General Manager of Honda Motor World, Inc. , HMW Lending Investors, Inc., Motor Ace Philippines, Inc., Mapi Lending Investors, Inc and Dream Honda, Inc. .He is also the Managing Director of Borromeo Brothers Estate, Inc., Margarita Agro Industrial Corp., Tolar Development Corp. and , MC Bros. Development Corp. He is the President of Astron Gestus, Inc., Cebu Maxi Management Corp., Maxi Agricultural Corporation and Cebu Parkland Inc.

His the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA.

Mr. Alan Michael R. Cruz , 55, Filipino, he was elected as Independent Director last July 27, 2017. He was the President and General Manager of Northpine Land, Inc. from June 2011 to December 2016. He was also the Real Estate Development Manager of San Miguel Properties, Inc. from March 2007 to June 2011. He also served as Vice President and Division Head of United Coconut Planters Bank (UCPB) from 2004-2007 and Vice President and OIC – Asset Management Division from 2000-2003. He graduated in 1985 from University of the Philippines with the degree of B.S. Architecture. He was also 10th placer in 1985 board examination.

Mr. Robert Charles "Bob" M. Lehmann, 62, Filipino, he was elected as Director last October 20, 2017. He is currently the President and CEO of Amalgamated Investment Bancorporation (AIB). Also, Mr. Lehmann is concurrently a Director of Philippine Eagle Foundation. He has served 24 years in the banking industry in various senior positions here and abroad. His last position being the Executive Vice President of Security Bank. Prior to that, he was with Standard Chartered Bank in the region for many years, after several Philippine Country Manager positions with American and U.K. banks. A graduate of Ateneo High School, he has an undergraduate degree in B.S. International Business and a Masters in Business Administration from the University of San Francisco.

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Francisco C. Eizmendi,Jr., Alan Michael R. Cruz and Lawrence EE were elected as the three (3) Independent Directors of the Company at the 2017 Annual Stockholders' Meeting.

SENIOR MANAGEMENT

Mr. Marcos E. Larosa, CPA – *39, Filipino*, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He started his career as Audit Associate in Sycip Gorres Velayo & Co. (SGV) (1999-2002) right after passing the CPA Board exam in October 1999. He graduated with a Bachelor of Science degree in Accounting (cum laude) from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, *Corporate Secretary and Legal Counsel*, *49*, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices, a full-service Philippine law firm specializing in corporate law. He is also a Director, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Kalayaan College Inc., Santos Knight Frank Inc., Speed Money Transfer Philippines Inc., TalentScout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Mr. Rene B. Benitez and Eric B. Benitez are siblings.
Mr. Maxcy Francisco Jose R. Borromeo and Mr. Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21

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

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

The following transactions have been entered into with related parties:

		2017			2016			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	***Ref***	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Parent Company								
Miscellaneous receivables	*a*	**P -**	**P80,514**	**P -**	P -	P80,514	P -	Non-interest bearing, unsecured; no impairment
Notes payable	*b*		**-**	**161,900,000**		-	364,900,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		**9,000,000**	**-**	**-**	53,400,000	-	-	
Settlements		**212,000,000**	**-**	**-**	173,000,000	-	-	
Interest expense		**18,867,920.00**	**-**	**3,483,367**	29,062,864	-	6,030,664	
Share in net income of an associate	*c*	**2,252,071**	**-**	**-**	47,222,206	-	-	Share in income from investee's profit
Dividends		**-**	**-**	**-**	36,000,000	-	-	Cash dividend received from AIB
Gain on sale of AIB shares	*d*	**-**	**-**	**-**	84,634,527	-	-	Gain on sale of 4,800,000 shares sold to AIB for P33.33/share
Short-term placements	*e*	**486,700,000**	**-**	**-**	600,711,817	74,554,022	-	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		**528,391**	**-**	**-**	257,796	-	-	
Entities under common control								
Miscellaneous Receivables	*a*	**-**	**5,223,585**	**-**	-	4,421,397	-	Non-interest bearing, unsecured; no impairment
Availments		**2,807,577**	**-**	**-**	511,880	-	-	
Settlements		**2,005,389**	**-**	**-**	834,978	-	-	

Forward

Category/Transaction	Ref	2017 Amount of Transactions	2017 Outstanding Balances Due from Related Parties	2017 Outstanding Balances Due to Related Parties	2016 Amount of Transactions	2016 Outstanding Balances Due from Related Parties	2016 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*f*		**P -**	**P5,852,932**		P -	P12,981,050	30-day unsecured, non-interest bearing
Availments		**57,558,462**	**-**	**-**	P272,556,153	-	-	
Settlements		**51,705,530**	**-**	**-**	286,682,683	-	-	
Accounts payable	*h*	**-**	**-**	**4,868,402**	-	-	2,387,994	Non-interest bearing, unsecured
Availments		**7,484,447**	**-**	**-**	-	-	-	
Settlements		**5,004,041**	**-**	**-**	-	-	-	
Short-term placements	*e*	**111,508,070**	**99,787,025**	**-**	-	-	-	Short-term interest bearing placements at
Interest income		**3,224,328**	**-**	**-**	-	-	-	10.5% annual interest rate
Notes payable	*b*	**-**	**-**	**44,406,271**	-	-	13,000,000	Unsecured, interest-bearing
Availments		**31,406,271**	**-**	**-**	13,300,000	-	-	placement at
Settlements		**-**	**-**	**-**	13,300,000	-	-	10.0% annual interest rate
Interest expense		**1,439,709**	**-**	**-**	1,496,306	-	726,917	
Professional fees		**-**	**-**	**-**	1,102,080	-	-	
Directors and other stockholders								
Notes payable	*b*			**24,276,776**			35,206,895	Unsecured, 1-year interest bearing
Availments		**8,790,369**	**-**	**-**	19,771,610	-	-	placement at
Settlements		**19,720,488**	**-**	**-**	50,218,078	-	-	5.5% annual interest rate
Interest expense		**1,592,548**	**-**	**-**	2,539,861	-	1,054,752	
		-	**-**		4,379,191	-	-	
Professional fees and other management fees		**2,683,498**	**-**	**-**	5,481,271	-	-	Payment of professional fees for consultancy
TOTAL			**P105,091,124**	**P244,787,748**		P79,055,933	P436,288,272	

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

b. As at December 31, 2017 and 2016, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P230.58 million and P413.11 million, respectively and P3.48 million and P7.81 million, respectively. Interest expense from these borrowings amounted to P21.90 million and P32.37 million in 2017 and 2016, respectively.

Borrowings availed from related parties amounted to P49.20 million and P73.17 million in 2017 and 2016, respectively. Settlement from borrowings amounted to P231.72 million and P236.52 million in 2017 and 2016, respectively. Interest rates from borrowings range from 5.5% to 5.75% and from 5.5% to 10% in 2017 and 2016, respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of AIB of its own 6.0 million shares with a cost of P33.33 million and accumulated equity in net earnings of P42.02 million

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

e. The Company had short-term placements with related parties amounting to P598.21 million and P600.71 million in 2017 and 2016, respectively. As at December 31, 2017 and 2016, P99.79 million and P74.55 million of these placements remain outstanding. Interest income from these placements amounted to P3.75 million P0.26 million in 2017 and 2016, respectively (see Note 8).

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

g. This invoices receivable pertaining to the billing of the Company for the shared operational expenses.

h. 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 P17.80 million, P17.07 million and 15.64.million in 2017 ,2016 and 2015, respectively, included in the ‘Salaries and employee benefits’ and ‘Management and professional fees’ account in the statements of comprehensive income.

Item 10. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY/MANAGEMENT FEE**	**BONUS**	**OTHER COMPENSATION**
2018 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,383,400	3,854,678	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,383,400	5,370,997	2,050,000
2017 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,682,640	2,211,493	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,682,640	5,134,204	2,250,000
2016 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,682,640	2,211,493	650,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,682,640	5,134,204	2,250,000
2015 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,375,920	1,376,191	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,375,920	4,063,003	2,200,000

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borromeo, Vice Chairman and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. The directors receive a per diem of ₽50,000 for each attendance at board meeting and ₽10,000 for each board committee meeting. There are no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered. The Compensation Committee has four members, one of whom is independent director namely: Joel S. Ferrer (Chairman), Juan Carlos del Rosario, Eric B. Benitez, and Alan Michael R. Cruz.

IDENTITY OF SIGNIFICANT EMPLOYEES

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

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of R.G. Manabat & Co. is the incumbent external auditor of the Company for the calendar year 2017. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Mr. Dennis I. Ilan, the partner in charge, is the lead auditor of the Company. It is expected that R.G. Manabat & Co. will be reappointed as the Company's external auditor for year 2018.

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

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

Audit Committee is comprised of the following – Mr. Francisco C. Eizmendi Jr. as Chairman and Mr. Juan Carlos del Rosario, Mr. Lawrence EE and Mr. Robert Charles M. Lehmann as members.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2006, the Board of Directors approved the following: 30% of the audited net income after tax of ₱ 16,205,137 is ₱ 4,861,541 of which 50% was declared as stock dividends amounting to ₱2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to ₱83,117,897 is ₱6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of ₱12,193,904 is ₱3,658,170, 50% of the amount, ₱1,829,066 was declared as stock dividend. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of ₱2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008.

For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of ₱5,465,094 is ₱1,639,528, 50% of the amount, ₱819,716 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2010, the Board of Directors approved the following: 30% of the audited net income after tax of ₱10,748,518 is ₱3,224,556, 50% of the amount ₱1,612,240 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2011, the Board of Directors approved the following: 30% of the audited net income after tax of ₱12,355,253 is ₱3,706,576, 50% of the amount ₱1,853,245 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2012, the Board of Directors approved the following: 30% of the audited net income after tax of ₱13,827,722 is ₱4,148,317, 50% of the amount ₱2,074,121 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2013, the Board of Directors approved the following: 30% of the audited net income after tax of ₱16,301,689 is ₱4,890,507, 50% of the amount ₱2,445,209 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2014, the Board of Directors approved the following: 30% of the audited net income after tax of ₱23,103,929 is ₱6,931,178, 50% of the amount ₱3,465,553 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2015, the Board of Directors approved the following: 30% of the audited net income after tax of ₱41,685,179 is ₱12,505,553, 50% of the amount ₱6,252,710 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2016, the Board of Directors approved the following: 30% of FY 2015 audited net income after tax of ₱45,980,891 amounting to ₱13,794,267, 50% of the amount ₱6,897,073 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2017, the Board of Directors approved the following: 30% of FY 2016 audited net income after tax of ₱46,331.949 amounting to ₱13,899,584, 50% of the amount ₱6,949,792 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

In 2018, it is expected that the Board shall propose dividend declaration of 30% of FY2017 Net Income After Tax in the next BOD Meeting in July 26, 2018.

OTHER MATTERS

AMENDMENT OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

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

PROPOSED ACTION

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

1. Approval of the Minutes of the Annual Stockholders’ Meeting held on July 27, 2017.
2. Presentation and Approval of the 2017 Annual Report and the 2017 Audited Financial Statements

A copy of the 2017 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2017 Annual Report will be presented during the Annual Stockholders' Meeting.

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

   The dividend policy dictates that 30% of 2017 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 26, 2018.

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

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

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

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

5. Election of Directors

6. Appointment of Independent External Auditors

VOTING PROCEDURES

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

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

a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of **June 25, 2018**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 19, 2018** for inspection and recording shall be honored for purposes of voting.
b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (I) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.
d) The proposed amendments to the Articles of Incorporation of the Corporation, amending its primary and secondary purpose, shall be submitted to the shareholders for the approval of at least 2/3rds of the total outstanding capital stock of the Corporation.
e) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
f) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

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

MARCOS E. LAROSA
Chief Finance Officer
Makati Finance Corporation
3/F Mazda Makati Bldg.2301 Chino Roces Ave.
Brgy. Magallanes 1231, Makati Avenue, Makati City

UNDERTAKING TO PROVIDE UPDATED CERTIFICATION OF INDEPENDENT DIRECTOR

The registrant undertakes to provide SEC the updated Certificate of Qualification and Disqualification of Independent Directors within thirty (30) days after the Annual Stockholders' Meeting in July 26, 2018.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Issuer

MARCOS E. LAROSA / Chief Finance Officer
Signature and Title

Date: June 22, 2018

MAKATI FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2018

MFC shall continue to expand and diversify its portfolio in 2018, as it steadily grows existing product lines; Rx Cashline, Business Loan and MFC Factoring portfolio. MFC shall also capitalize opportunities in Car Financing which was introduced during the last quarter of 2017 forging tie ups with its dealer partners; Ford, Mazda and Suzuki cars. The Company will continue to tap the Corporate Salary Loan Market by entering into Memorandum of Agreements with several established Companies to provide multi-purpose loans to their respective employees.

MFC will also explore other product such as Pension Loan, Micro Financing and Corporate Leasing.

MFC reiterates its commitment to providing source of funding for consumers and businesses which are considered partners to their improved livelihood.

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

Funds Generation

We currently have a ₱350 million facility with Amalgamated Investment Bancorporation (AIB) and ₱355 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2018.

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

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with R.G. Manabat & Co. with regards to accounting policies and financial disclosures of the Company. Mr. Dennis I. ilan, the Partner, has been the auditor of the Company starting year 2015, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged R.G. Manabat & Co. for FY 2017 and FY 2016 audit periods for a service fee of Php 737,000 and Php693,000, respectively. The Company has not engaged R.G. Manabat & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the Board of Directors. Recommendations by the audit committee are then deliberated during the Board meetings.

Discussion of Past Financial Performance

<u>As of December 31, 2017</u>

Results of Operation

Net Income after Tax for the year ending December 31, 2017, as reflected in the audited financial statements ended at ₱54.4 million, or 17.41% higher from ₱46.33 million in 2016. This is mainly due to reduction in operating expenses by ₱ 77 million and increase in other income by ₱ 24.15 million.

Total operating income ended at ₱257.5 million in 2017 from ₱273.1 million in 2016. The 5.71% decline was mainly due to decline in generated interest income. Total expenses in 2017 ended at ₱222.25 million, lower versus ₱300.33 million in 2016, mainly due to decrease in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱48.14 million and decrease in provision for credit losses by ₱9.4 million. Salaries and employee benefits also decreased by ₱19.14 million

Interest income in 2017 amounted to ₱157.66 million; major breakdown of which is ₱19.54 million from Rx, P32.15 million from MFC Factors and Business Loans and ₱101.54 million from MC Financing.

As of December 31, 2017, Earnings Per Share ended at ₱0.24 from ₱0.21 in 2016.

Financial Condition and Capital Resources

Total assets as of December 31, 2017 ended at ₱970.79 million, lower versus ₱1,227.58 million in 2016 mainly due to decrease in loans receivables by ₱232.08 million and sale of investment in associate amounting to ₱94.96 million. On the other hand, total liabilities also declined by ₱303.49 million, from ₱767.49 million in 2016 to ₱464 million in 2017 mainly due to net settlement of notes payable amounting to ₱283.85 million.

Interest Income

The interest income this year ended at ₱157.66 million in 2017 from ₱209.49 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Net Interest Income

Net interest income amounted to ₱124.75 million in 2017 versus ₱164.5 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Other Income

Other income increased by ₱24.15 million, from ₱108.6 million in 2016 to ₱132.75 million in 2017 due mainly to increase in gain from sale of investment in an associate amounting to ₱18.17 million and ₱10.53 million gain on foreclosure of investment properties .

Income Before Income Tax

As of December 31, 2017, the company ended at Income before share in net income of an associate amounting to ₱34.25 million, higher versus a loss of ₱27.24 million in 2016, mainly due to lower total operating expenses by ₱77.08 million.

Net Income

The Company posted a net income of ₱54.4 million in 2017, or 17.41% higher versus ₱46.3 million in 2016.

As of December 31, 2016

Results of Operation

Net Income after Tax for the year ending December 31, 2016, as reflected in the audited financial statements had increased by 0.76% to P46.33 million in 2016 from P45.98 million in 2015. This is mainly due to the increase in share in net income from of an associate by P6.4 million from P40.78 million in 2015 to P47.22 million in 2016 and a onetime gain from sale of investment in an associate amounting to P84.63 million.

Total operating income improved from P186.32 million in 2015 to P273.1 million in 2016, mainly due to onetime gain from sale of investment in an associate as discussed above. Total expenses in 2016 ended at P300.33 million, higher versus P185million in 2015, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by P60.7 million and increase in provision for credit losses by P17.47 million. Taxes and licenses also increased by P13.84 million due to accrued capital gains tax from sale of investment in an associate amounting to P12 million.

Interest income in 2016 amounted to P209.49 million; major breakdown of which is P21.2 million from Rx, P24.26 million from MFC Factors and Business Loans and P163.22 million from MC Financing.

As of December 31, 2016, Earnings Per Share ended at P0.21 from P0.22 in 2015.

Financial Condition and Capital Resources

Total assets as of December 31, 2016 ended at P1,227.6 million, lower versus P1,321 million in 2015 mainly due to decrease in repossessed motorcycle inventories by P88.0 million and sale of investment in an associate with a book value amounting to P75.35 million. On the other hand, total liabilities also declined by P133.3 million, from P900.7 million in 2015 to P767.5 million in 2016 mainly due to net settlement of notes payable amounting to P132.1 million.

Interest Income

The interest income this year ended at P209.5 million in 2016 from P211.4 million in 2014. This is mainly due to lower loans receivable at the beginning of 2016.

Net Interest Income

Net interest income amounted to P164.5 million in 2016 versus P166.5 million in 2015. This is mainly due to lower loans receivable at the beginning of 2016.

Other Income

Other income increased by P88.7 million, from P19.9 million in 2015 to P108.6 million in 2016 due mainly to a onetime gain from sale of investment in an associate amounting to P84.6 million and higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

As of December 31, 2016, the company ended at a loss before share in net income of an associate amounting to P27.2 million, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by P60.7 million and increase in provision for credit losses by P17.47 million.

Net Income

The Company posted a net income of P46.3 million in 2016, higher versus P46.0 million in 2015 or an increase of 0.76%.

As of December 31, 2015

Results of Operation

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

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

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

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Net Income

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

As of December 31, 2014

Results of Operation

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

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

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

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Net Income

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

As of December 31, 2013

Results of Operation

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

In 2013 MFC continued its focus on strengthening the operations and services of its existing outlets. It went into a total review of the portfolio and evaluating the status for each account. Collectability of those accounts which had been non-moving for a number of months were evaluated and determined as either for special collection efforts or for write-off. Completeness of documents for each account were analyzed and accounts with incomplete documents were rectified and those non-rectifiable accounts were recommended for write-off. The process flow of outlet operations were reviewed and streamlined. Management also focused on improving and beefing up manpower on its back-room operations. The Company now has a wider reach in the offer of its services resulting in a rise in the amounts financed and the corresponding rise in income generation. Volume of motorcycle units financed increased by 43%, from 9,156 motorcycle units in 2012 to 13,109 motorcycle units in 2013.

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

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

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

Financial Condition and Capital Resources

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

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

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

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

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

<u>As of December 31, 2012</u>

Results of Operation

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

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

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

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

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

Financial Condition and Capital Resources

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

Net Interest Income

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

Other Income

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

KEY PERFORMANCE INDICATORS:

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

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	183.67%	94.77%
Debt to equity ratio	91.56%	166.81%
Quick ratio	166.84%	114.39%
PROFITABILITY RATIOS		
Return on assets	5.60%	3.77%
Return on equity	10.73%	10.07%
Net profit margin	18.73%	16.97%
ASSET TO EQUITY RATIO	191.56%	266.81%
INTEREST RATE COVERAGE RATIO	1.11	1.44
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	5.54%	0.21%
Total receivables to total assets	63.55%	69.16%
Total DOSRI receivables to net worth	0.00%	0.04%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.34%	0.22%
Honda Motor World, Inc.	0.39%	0.29%
Amalgamated Investment Bancorporation	0.01%	0.02%
MAPI Lending Investors, Inc.	0.12%	0.01%

Computation for the Ratios:

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

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

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

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

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

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

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

CAPITAL EXPENDITURES

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

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

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

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

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

SEASONAL ASPECTS

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

HOLDERS OF COMMON STOCK as of May 31, 2018
TOP 20 Stockholders

There are a total of 105 stockholders as of May 31, 2018

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	94,488,680	42.29%
MOTOR ACE PHILIPPINES, INC.	FIL	A	56,516,496	25.30%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	15,609,435	6.99%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	9,815,232	4.39%
MICHAEL WEE	FOR	A	9,244,615	4.14%
BORROMEO BROS. ESTATE INC.	FIL	A	7,300,577	3.27%
ERIC B. BENITEZ	FIL	A	6,230,663	2.79%
MELLISSA B. LIMCAOCO	FIL	A	5,592,035	2.50%
GLENN B. BENITEZ	FIL	A	5,324,208	2.38%
RENE B. BENITEZ	FIL	A	5,111,481	2.29%
JOEL S. FERRER	FIL	A	2,250,578	1.01%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	1,102,955	0.49%
REYES, MARY GRACE V.	FIL	A	663,389	0.30%
TERESITA B. BENITEZ	FIL	A	434,521	0.19%
MERG REALTY DEVELOPMENT	FIL	A	386,040	0.17%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	266,182	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	266,182	0.12%
GLENN BENITEZ ITF ALESSANDRA	FIL	A	266,182	0.12%
GLENN BENITEZ ITF LORENZO	FIL	A	266,182	0.12%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	266,182	0.12%
SUB-TOTAL			221,401,815	99.10%
OTHER STOCKHOLDERS (83)			2,010,486	0.90%
GRAND TOTAL (105 stockholders)			223,412,301	100.00%

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 18.28% public float.

MARKET SHARE INFORMATION

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

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

The latest available price information on Makati Finance's stock price is **P3.03** per share as of **June 22, 208**.

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

	Market Prices	
Quarter Ending	**High**	**Low**
March 2018	2.92	2.92
December 2017	2.90	2.90
September 2017	2.89	2.89
June 2017	3.08	3.07
March 2017	2.93	2.93
December 2016	2.84	2.83
September 2016	3.20	3.20
June 2016	3.30	3.30
March 2016	3.67	3.58

DIVIDENDS

As approved by the BOD and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2015, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to P6,252,776.85. Fractional shares were settled in cash. For the year 2016, the BOD and Stockholders approved the declaration of cash dividends amounting to P6,897,133.50. Fractional shares were settled in cash. For the year 2017, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to P6,949,792.35. Fractional shares were settled in cash.

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

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

EXEMPTION FROM REGISTRATION CLAIMED

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

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, this Definitive Information Statement (SEC 20-IS) is to be signed on its behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on JUN 22 2018, 2018.

By:

RENE B. BENITEZ Chairman of the Board	**MAXCY FRANCISCO JOSE R. BORROMEO** President
MAX O. BORROMEO Vice Chairman	**JOEL S. FERRER** Treasurer
MARCOS E. LAROSA Chief ~~Finance Officer/~~Compliance Officer	**DANILO ENRIQUE O. CO** Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 22 2018 day of ______ 2018 , affiant(s) exhibiting to me their ______, as follows:

NAME/NO.	GOVT.I.D.	PLACE OF ISSUE
RENE B. BENITEZ	TIN:137-438-326	
MAXCY FRANCISCO JOSE R. BORROMEO	TIN : 153-065-629	
MAX O. BORROMEO	TIN : 108-479-305	
JOEL S. FERRER	TIN : 103-275-130	
MARCOS E. LAROSA	TIN : 206-361-568	
DANILO ENRIQUE O. CO	TIN : 134-866-959	

NOTARY PUBLIC

Doc No. 1
Page No. 62
Book No. 500
Series of 2018

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018 – ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V- 0026676/4-11-2018
IBP O.R No.706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607619- JAN 03, 2018- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 8 7 8 8

COMPANY NAME

MAKATI FINANCE CORPORATION

PRINCIPAL OFFICE **(No. / Street / Barangay / City / Town / Province)**

3rd Floor, Mazda Makati Bldg
2301 Chino Roces Avenue,
Barangay Magallanes, Makati
City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
105		December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marcos E. Larosa	mlarosa@makatifinance.com.ph	896-0221/ 897-0749	+639175309923

CONTACT PERSON's ADDRESS

3F Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

RECEIVED

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

FINANCIAL STATEMENTS
December 31, 2017 and 2016

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Makati Finance Corporation
3/F Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City 1231

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Makati Finance Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of Allowance for Credit Losses on Loans and Receivables (P119.89 million)
Refer to Note 9 to the financial statements.

The risk
The Company's loans and receivables are significant as they represent 64% of the total assets as at December 31, 2017. The adequacy of the allowance for credit losses on these loans and receivables is a key area of judgment for management. The Company determines the allowance for credit losses on an individual basis for individually significant loans and receivables, and collectively for loans and receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors. This includes timing of expected future cash flows, probability of collections, observable market prices and expected net selling prices of the collateral. The use of assumptions could produce significantly different estimates of allowance for credit losses.

Our response
We obtained an understanding of the Company's impairment testing process, including the identification of loans and receivables to be subjected to specific impairment testing. For loans and receivables subjected to specific impairment testing, we selected samples of impaired loans and obtained an understanding of the borrower's business and financial capacity and assessed if there is any objective evidence of impairment that exists as of the reporting date. We also tested the assumptions underlying the impairment identification and quantification of the allowance for credit losses. This was done by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking the payment history of the borrower including payments made subsequent to yearend, agreeing the value of the collateral to the appraisal reports, checking whether the discount rate represents the original effective interest rate (EIR) or the current EIR of the loan, and re-performing the impairment calculation.

For loans and receivables subjected to collective impairment testing, we tested the underlying information used in the impairment calculation by comparing the details to the Company's records and subsidiary ledgers. We tested the assumptions used in the impairment calculation, such as likelihood of default and loss rates based on historical data, validating the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the allowance for credit losses.

Valuation of Motorcycle Units (P74.53 million)
Refer to Note 13 to the financial statements.

The risk
Upon default of the borrower, the Company acquires the motorcycle units which served as collateral. The motorcycle units are carried at the lower of cost and net realizable value ("NRV"). The cost of inventories may not be recoverable if those repossessed motorcycle units are aged and damaged, if they have become obsolete, or if their selling prices have declined.

Management determines the lower of cost and NRV of the motorcycle units by considering the ageing profile, physical condition of the units and estimated selling price of individual items. This requires the use by the management of significant judgments and assumptions and, various uncertainties resulting from customer demand and competitors' actions that may result in material misstatement if inappropriate. As such, we have identified the determination of the NRV of motorcycle units as a key risk to focus on in our audit.

Our response
Our audit procedures in relation to management's assessment on NRV and obsolescence of motorcycle units included:

- Understood and assessed the control procedures performed by management, including its procedures in estimating the NRV of the motorcycle units and conducting periodic review of the motorcycle units obsolescence;

- Observed physical counts to identify any damaged or obsolete motorcycle units;

- Tested on a sampling basis, the accuracy of the ageing profile of individual motorcycle units by checking to the underlying documents upon repossession; and

- Tested on a sampling basis, the NRV of selected motorcycle units, by compairing the selling price subsequent to the reporting date, against the carrying values of these individual motorcycle units.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report theron. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

KPMG

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those markets that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dennis I. Ilan.

R.G. MANABAT & CO.

DENNIS I. ILAN
Partner
CPA License No. 089564
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. 6615137MD
Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY
WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **Makati Finance Corporation** (the "**Company**") is responsible for all information and representations contained in the Annual Income Tax Return for the year endedDecember 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements as at and for the years ended December 31 2017 and 2016,and the accompanying Annual Income Tax Return are in accordance with the books and records of Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signed under oath by the following:

ACKNOWLEDGEMENT
REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

BEFORE ME personally appeared
NAME ID NUMBER DATE/PLACE ISSUED

Rene B. Benitez
Chairman of the Board

Maxcy Francisco Jose R. Borromeo
President/ Chief Operating Officer

APR 12 2018

Known to me and to me known to be the same person who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed.

Marcos E. Larosa
Chief Finance Officer

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY

BUREAU OF INTERNAL REVENUE
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APR 16 2018

Signed this 24 day of April 2018j

DOC NO. 50
PAGE NO. 11
BOOK NO. 309
SERIES NO. 2018

Note: The SMR of companies covered under Part II of the SRC Rule 68, As Amended should be SIGNED UNDER OATH.

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY
WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Makati Finance Corporation**(the "**Company**"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

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

Signed under oath by the following:

Rene B. Benitez
Chairman of the Board

Maxcy Francisco Jose R. Borromeo
President/ Chief Operating Officer

Marcos E. Larosa
Chief Finance Officer

Signed this 12th day of April 2018

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

BEFOR ME personally appeared APR 12 2018

NAME NUMBER DATE/PLACE ISSUED

Known to me and by me known to be the same person who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018 – ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. ...675/4-11-2018
IBP O.R No. ... JAN. 29, 2007
PTR No. ... MAKATI CITY
EXECUTIVE ... AVE., COR. JUPITER

DOC NO. 416
PAGE NO. 85
BOOK NO. 1509
SERIES NO. 2018

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APR 16 2018

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

BAUTISTA
ACCOUNTING
We continue when other accountants have finished

To Management of Makati Finance Corporation

I have compiled the accompanying financial statements of **Makati Finance Corporation** based on information you have provided. These financial statements comprise the statement of financial position of **Makati Finance Corporation.** as at December 31, 2017 and 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period ended December 31, 2017 and 2016, and notes, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), *Compilation Engagements*.

I have applied our expertise in accounting and financial reporting to assist in you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRSs). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRSs.

AVELITO T. BAUTISTA
CPA No. 0099255
TIN No. 205-710-848-000
PTR No. 1021598, January 10, 2018, Dagupan City, Pangasinan
BOA Reg. No. 4227
CDA Reg. No. 1102
BIR AN 01-004607-001-2015 (November 15, 2015 to 2018)

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KPMG

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

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

The Board of Directors and Stockholders
Makati Finance Corporation
3/F Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City 1231

We have examined the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated April 12, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has a total number of eighty eight (88) stockholders owning (100) or more shares each.

R.G. MANABAT & CO.

DENNIS I. ILAN
Partner
CPA License No. 089564
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. 6615137MD
Issued January 3, 2018 at Makati City

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April 12, 2018
Makati City, Metro Manila

MAKATI FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Cash and Cash Equivalents	*8*	**P126,800,064**	P97,617,641
Loans and Other Receivables - net	*9*	**616,946,052**	849,023,273
Investment in an Associate	*10*	**-**	94,962,090
Property and Equipment - net	*11*	**10,850,897**	14,823,832
Investment Properties - net	*12*	**53,825,871**	2,604,468
Deferred Tax Assets - net	*20*	**77,825,999**	57,706,296
Other Assets - net	*13*	**84,539,417**	110,848,563
		P970,788,300	P1,227,586,163
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	*14*	**P427,338,890**	P711,186,458
Accounts payable	*21*	**16,463,258**	15,717,788
Accrued expenses	*15*	**19,672,053**	37,550,118
Income tax payable		**89,119**	1,489,950
Retirement benefits liability	*18*	**436,790**	1,549,370
		464,000,110	767,493,684
Equity			
Capital stock	*17*	**223,412,301**	216,462,556
Additional paid-in capital		**5,803,922**	5,803,922
Retained earnings		**273,833,971**	233,334,355
Remeasurement gains on defined benefit obligation		**3,737,996**	4,491,589
Share in other comprehensive income of an associate		**-**	57
		506,788,190	460,092,479
		P970,788,300	P1,227,586,163

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017	2016	2015
		Years Ended December 31		
INTEREST INCOME	*8, 9*	**P157,661,732**	P209,486,415	P211,417,274
INTEREST EXPENSE	*14, 21*	**32,913,687**	44,983,569	44,966,237
NET INTEREST INCOME		**124,748,045**	164,502,846	166,451,037
OTHER INCOME				
Gain on foreclosed assets	*12*	**10,526,725**	-	-
Service charges		**4,404,252**	5,318,829	4,575,355
Miscellaneous	*19*	**15,019,422**	18,644,061	15,297,738
TOTAL OTHER INCOME		**29,950,399**	23,962,890	19,873,093
TOTAL OPERATING INCOME		**154,698,444**	188,465,736	186,324,130
OPERATING EXPENSES				
Loss from sale and write-down of motorcycle units	*13*	**56,557,271**	104,700,890	44,002,083
Salaries and employee benefits		**56,006,403**	75,142,379	66,891,192
Taxes and licenses		**28,846,766**	30,334,036	16,496,293
Provision for credit losses	*9*	**27,279,895**	36,699,617	19,227,999
Occupancy costs	*23*	**16,435,820**	19,233,030	9,434,067
Commission		**7,997,697**	5,455,875	2,814,857
Management and professional fees		**7,336,159**	9,211,200	9,338,660
Travel and transportation		**6,038,986**	5,863,569	6,400,814
Depreciation and amortization	*11, 12, 13*	**5,677,458**	4,014,009	2,810,151
Entertainment, amusement and recreation		**729,938**	608,917	235,719
Miscellaneous	*19*	**10,346,249**	9,074,614	7,374,395
TOTAL OPERATING EXPENSES		**223,252,642**	300,338,136	185,026,230
NON-OPERATING INCOME				
Gain on sale of investment in an associate	*10*	**102,801,839**	84,634,527	-
INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX		**34,247,641**	(27,237,873)	1,297,900
SHARE IN NET INCOME OF AN ASSOCIATE	*10*	**2,252,071**	47,222,206	40,787,135
INCOME BEFORE INCOME TAX		**36,499,712**	19,984,333	42,085,035
INCOME TAX BENEFIT	*20*	**17,899,431**	26,347,616	3,895,856
NET INCOME		**54,399,143**	46,331,949	45,980,891

Forward

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2017	2016	2015
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P36,499,712**	P19,984,333	P42,085,035
Adjustments for:				
Provision for credit losses	9	**27,279,895**	36,699,617	19,227,999
Depreciation and amortization	11, 12, 13	**5,677,458**	4,014,009	2,810,151
Retirement benefits expense (income)	18	**(2,189,142)**	2,147,236	1,939,618
Gain on foreclosed assets	10, 12	**(10,526,725)**	-	-
Gain on disposal of property and equipment	11	**-**	(14,047)	-
Share in net income of an associate	10	**(2,252,071)**	(47,222,206)	(40,787,135)
Gain on sale of investment in an associate	10	**(102,801,839)**	(84,634,527)	-
Operating (loss) income before changes in working capital		**(48,312,712)**	(69,025,585)	25,275,668
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Loans and other receivables		**164,150,166**	26,061,832	(86,130,373)
Other assets		**26,200,018**	85,397,962	(11,853,124)
Increase (decrease) in:				
Accounts payable		**745,470**	(12,252,711)	6,110,135
Accrued expenses		**(17,878,065)**	8,985,107	1,332,025
Net cash provided by (used in) operations		**124,904,877**	39,166,605	(65,265,669)
Income taxes paid		**(3,298,135)**	(1,699,178)	(6,898,473)
Net cash provided by (used in) operating activities		**121,606,742**	37,467,427	(72,164,142)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	11	**(1,434,292)**	(15,159,421)	(557,664)
Software costs	13	**(208,620)**	(346,817)	(161,043)
Cash dividends received	24	**-**	36,000,000	36,000,000
Proceeds from sale of:				
Property and equipment	13	**-**	226,536	-
Investment in an associate	10	**200,016,000**	159,984,000	-
Net cash provided by investing activities		**198,373,088**	180,704,298	35,281,293

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1. General Information

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

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

Amalgamated Investment Bancorporation (AIB) owns 42.46% of the Company as at December 31, 2017 and 2016.

The Company has 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 Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

The Company's principal place of business is at 3/F Mazda Makati Bldg., 2301 Chino Roces Avenue, Barangay Magallanes, Makati City 1231.

As at December 28, 2017, the Company's closing price at the PSE amounts to P2.85 per share.

2. Basis of Preparation

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

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

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

Approval of Issuance of Financial Statements
The accompanying financial statements of the Company were approved by the Audit Committee on April 12, 2018, as authorized by the BOD.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

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

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

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

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

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

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

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value, which is the price 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 of a financial instrument on initial recognition is normally the transaction price (e.g., the fair value of the consideration given or received). If a financial asset is not subsequently accounted for at fair value through profit or loss (FVPL), the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables, and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets are acquired or the financial liabilities are incurred, and whether the instruments are quoted in an active market, and for HTM investments, the ability and intention to hold the investment until maturity.

As at December 31, 2017 and 2016, the Company has no financial assets and financial liabilities at FVPL, HTM investments, and AFS financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. 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 (EIR). Gains and losses are recognized in the statements of profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables consist of cash and cash equivalents, loans and other receivables, and security deposits' presented under "other assets" account in the statements of financial position. Cash includes cash on hand, cash in banks and cash equivalents which is stated at face amount. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

Client's equity represents amount withheld by the Company in order to cover the merchandise returns associated with the factored receivables until the privilege to return the merchandise expires. This is equivalent to 30% of the receivables factored and is diminished proportionately as the receivables from factoring are collected.

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

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

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

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

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in or economic conditions that correlate with defaults.

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of such credit risk characteristics as type of borrower, collateral type (if any), credit and payment status, and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. Any impairment loss determined is recognized in the statements of total comprehensive income under profit or loss as part of "Provision for credit losses".

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to the statements of total comprehensive income under profit or loss to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

Financial assets carried at amortized cost, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' presented under "Miscellaneous income" in the statements of total comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is 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 an 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, thus, the related assets and liabilities are presented on a gross basis in the statements of financial position.

As at December 31, 2017 and 2016, the Company did not have any financial instrument that qualified for offsetting.

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

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 asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either has: (a) 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 an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

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

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

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

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

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

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

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

The statements of comprehensive income report the Company's share in the results of operations of the associate. 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 statements of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

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

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

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

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate 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.

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

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

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

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

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss.

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

Investment Properties

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

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

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

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

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

Motorcycle Units

This pertains to motorcycle repossessed units upon default of the borrower. These 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 statements of financial position.

Software Costs

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

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

All other expenditure is expensed as incurred.

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

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

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

An impairment loss is charged against operations in the year in which it arises.

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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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

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

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

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

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

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

Expenses

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

Interest Income and Interest Expense

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

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

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

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

Employee Benefits

Defined Benefit Plan

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

To be Adopted January 1, 2018

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

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

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

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

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

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

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

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

To be Adopted January 1, 2019

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

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments and Estimates

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

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

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

Judgments

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

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

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

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

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

As at December 31, 2017 and 2016, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates

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

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

The Company assessed that allowance for credit losses necessary for its loans and receivables as at December 31, 2017 and 2016 amounted to P119.89 million and P92.61 million, respectively (see Note 9).

The carrying value of loans and receivables amounted to P616.93 million and P849.02 million as at December 31, 2017 and 2016, respectively, net of allowance for credit losses (see Note 9).

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

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

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

As at December 31, 2017 and 2016, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

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

(d) *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 December 31, 2017 and 2016, the carrying value of motorcycle units amounted to P74.53 million and P103.18 million, respectively (see Note 13).

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

(f) *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.

(g) *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 18 to the financial statements.

As at December 31, 2017 and 2016, the net retirement liability amounted to P0.44 million and P1.55 million, respectively (see Note 18).

5. Fair Value Measurement

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

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

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

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

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

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

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

6. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

	2017			2016		
	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*	P126,259,754	P -	P126,259,754	P96,800,856	P -	P96,800,856
Receivable from customers:						
Consumer	577,376,962	450,759,438	126,617,524	770,797,008	746,006,867	24,790,141
Services	141,770,354	23,880,130	117,890,224	151,855,672	7,155,357	144,700,315
Other receivables	17,690,772	-	17,690,772	18,982,734	-	18,982,734
Security deposits**	3,149,779	-	3,149,779	3,384,627	-	3,384,627
	P866,247,621	P474,639,568	P 391,608,053	P1,041,820,897	P753,162,224	P288,658,673

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

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

	2017					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and Other Receivables						
Cash and cash equivalents*	P126,259,754	P -	P -	P -	P -	P126,259,754
Receivable from customers:						
Consumer	325,447,820	-	31,533,408	112,057,211	108,338,523	577,376,962
Services	10,823,815	-	92,709,481	19,777,047	18,460,012	141,770,354
Other receivables			17,690,772			17,690,772
Security deposits	-	-	3,149,779	-	-	3,149,779
Other investments**	-	-	80,000	-	-	80,000
	P462,531,389	P -	P145,163,440	P131,834,258	P126,798,535	P866,327,621

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

	2016					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and Other Receivables						
Cash and cash equivalents*	P96,800,856	P -	P -	P -	P -	P96,800,856
Receivable from customers:						
Consumer	490,990,459	-	13,924,086	165,398,649	100,483,814	770,797,008
Services	-	-	121,621,267	-	30,234,405	151,855,672
Other receivables	-	-	18,982,734	-	-	18,982,734
Security deposits	-	-	3,384,627	-	-	3,384,627
Other investments**	-	-	80,000	-	-	80,000
	P587,791,315	P -	P157,992,714	P165,398,649	P130,718,219	P 1,041,900,897

* *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 and other related parties, which have high probability of collection, as evidenced by AIB's and other related parties' ability to satisfy its obligations.
Loans and Other Receivables

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

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

	2017					
	1-30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**More than120 Days**	**Total**
Consumer	**P52,290,445**	**P22,024,781**	**P12,923,558**	**P11,815,373**	**P13,003,054**	**P112,057,211**
Services	**9,228,773**	**3,887,167**	**2,280,887**	**2,085,303**	**2,294,917**	**19,777,047**
	P61,519,218	**P25,911,948**	**P15,204,445**	**P13,900,676**	**P15,297,971**	**P131,834,258**

	2016					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649
Services	-	-	-	-	-	-
	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649

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

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

<u>Liquidity Risk</u>
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 2017					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	P126,800,064	P126,800,064	P -	P -	P -	P -	P126,800,064
Loans and other receivables							
Receivable from customers:							
Consumer	577,376,962	136,051,732	117,193,510	184,439,377	270,427,738	49,093,618	757,205,975
Services	141,770,354	106,296,461	14,425,257	25,182,449	62,248,541	-	208,152,708
Other receivables	17,690,772	-	-	21,825,829	-	-	21,825,829
Security deposits	3,149,779	-	-	-	-	3,149,779	3,149,779
Other investments*	80,000	-	-	-	-	80,000	80,000
	866,867,931	369,148,257	131,618,767	231,447,655	332,676,279	52,323,397	1,117,214,355
Financial Liabilities							
Notes payable	427,338,890	40,239,093	36,239,093	330,063,601	20,797,103	-	427,338,890
Accounts payable	16,463,258	16,463,258	-	-	-	-	16,463,258
Accrued expenses**	17,224,745	17,224,745	-	-	-	-	17,224,745
	461,026,893	73,927,096	36,239,093	330,063,601	20,797,103	-	461,026,893
Net liquidity gap	P405,841,038	P295,221,161	P95,379,674	(P98,615,946)	P311,879,176	P52,323,397	P656,187,462

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

		Contractual Maturities 2016					
	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	P97,617,641	P97,617,641	P -	P -	P -	P -	P97,617,641
Loans and other receivables							
Receivable from customers:							
Consumer	770,797,008	164,121,114	145,715,459	261,538,969	467,306,510	31,965,890	1,070,647,942
Services	151,855,672	125,865,817	14,019,601	24,617,913	44,192,353	12,533,948	221,229,632
Other receivables	18,982,734	4,943,263	4,943,263	9,886,527	-	-	19,773,053
Security deposits	3,384,627	-	-	-	-	3,384,627	3,384,627
Other investments*	80,000	-	-	-	-	80,000	80,000
	1,042,717,682	392,547,835	164,678,323	296,043,409	511,498,863	47,964,465	1,412,732,895
Financial Liabilities							
Notes payable	711,186,458	64,476,724	82,776,724	543,933,010	20,000,000	-	711,186,458
Accounts payable	15,717,788	15,717,788	-	-	-	-	15,717,788
Accrued expenses	21,785,506	21,785,506	-	-	-	-	21,785,506
	748,689,752	101,980,018	82,776,724	543,933,010	20,000,000	-	748,689,752
Net liquidity gap	P294,027,930	P290,567,817	P81,901,599	(P247,889,601)	P491,498,863	P47,964,465	P664,043,143

**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	**2017**	2016
Cash in bank and cash equivalents	*8*	**P126,259,754**	P96,800,856
Loans and receivable - net	*9*	**616,925,617**	849,023,273
Notes payable	*14*	**(427,338,890)**	(711,186,458)
Net exposure		**P315,846,481**	P234,637,671

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
2017	+100bps	P3,158,465
	-100bps	(3,158,465)
2016	+100bps	2,346,377
	-100bps	(2,346,377)

7. Segment Information

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

Rx Cashline Group
The Rx Cashline Group grants Rx cash line product - loans tailored to medical professionals.
MFC Factors Group
The MFC Factors Group is responsible for the research of businesses that seek to factor their receivables for extra liquidity.

MC Financing Group
The MC Financing Group grants loans to motorcycle buyers.

Other Segments
This segment includes business loans, car loans, and corporate salary loans

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

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

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

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

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

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

Financial information about operating segments follows:

	2017				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	**P118,275,453**	**P253,140,942**	**P581,487,644**	**P34,280,473**	**P987,184,512**
Results of operation					
Revenues					
Interest income	P19,537,997	P32,147,331	P101,544,196	P4,432,208	P157,661,732
Other income	2,650,408	3,984,746	7,454,834	118,662,250	132,752,238
	22,188,405	36,132,077	108,999,030	123,094,458	290,413,970
Expenses					
Interest expense	2,002,116	6,678,942	24,227,409	5,220	32,913,687
Provision for credit losses	809,670	-	26,470,225	-	27,279,895
Operating expenses	14,972,843	24,382,100	73,553,071	80,812,662	193,720,676
	17,784,629	31,061,042	124,250,705	80,817,882	253,914,258
Net operating income (loss)	4,403,776	5,071,035	(15,251,675)	42,276,576	36,499,712
Less: Income tax (expense) benefit	(1,367,564)	(2,226,971)	(6,718,067)	(7,586,829)	(17,899,431)
Net income (loss)	**P5,771,340**	**P7,298,006**	**(P8,533,608)**	**P49,863,405**	**P54,399,143**
Statement of financial position					
Total assets	P64,724,751	P241,137,958	P475,396,141	P189,529,450	P970,788,300
Total liabilities	P53,112,221	P110,605,096	P264,835,105	P35,447,688	P464,000,109
Other segment information					
Capital expenditures	P -	P -	P -	P1,434,292	P1,434,292
Depreciation and amortization	P587,949	P1,258,367	P2,890,481	P622,913	P5,359,710

	2016				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P112,327,760	P275,429,083	P904,120,731	P19,773,053	P1,311,650,627
Results of operation					
Revenues					
Interest income	P21,177,295	P24,260,173	P163,215,346	P833,601	P209,486,415
Other income	5,122,861	4,932,221	10,634,450	135,130,091	155,819,623
	26,300,156	29,192,394	173,849,796	135,963,692	365,306,038
Expenses					
Interest expense	3,852,324	9,445,948	31,007,173	678,124	44,983,569
Provision for credit losses	8,225,600	-	26,258,203	2,215,814	36,699,617
Operating expenses	8,350,016	14,752,327	219,581,788	20,954,388	263,638,519
	20,427,940	24,198,275	276,847,164	23,848,326	345,321,705
Net operating income (loss)	5,872,216	P4,994,119	(102,997,368)	112,115,366	19,984,333
Less: Income tax (expense) benefit	4,229,345	1,498,236	(66,374,551)	34,299,354	(26,347,616)
Net income (loss)	P1,642,871	P3,495,883	(P36,622,817)	P77,816,012	P46,331,949
Statement of financial position					
Total assets	P81,051,356	P238,327,335	P887,670,838	P20,536,634	P1,227,586,163
Total liabilities	P56,166,608	P173,371,098	P523,657,014	P14,298,964	P767,493,684
Other segment information					
Capital expenditures	P992,231	P2,863,837	P10,619,705	P1,350,958	P15,826,731
Depreciation and amortization	P230,942	P666,560	P2,471,743	P314,436	P3,683,681

	2015				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P100,827,484	P106,060,386	P1,074,691,884	P122,533,940	P1,404,113,694
Results of operation					
Revenues					
Interest income	P21,166,205	P9,148,621	P174,244,436	P6,858,012	P211,417,274
Other income	1,607,058	2,578,232	15,687,803	40,787,135	60,660,228
	22,773,263	11,726,853	189,932,239	47,645,147	272,077,502
Expenses					
Interest expense	4,164,611	2,614,794	36,480,099	1,706,733	44,966,237
Provision for credit losses	2,506,270	1,950,760	14,770,969	-	19,227,999
Operating expenses	4,380,847	1,716,527	159,700,857	-	165,798,231
	11,051,728	6,282,081	210,951,925	1,706,733	229,992,467
Net operating income (loss)	11,721,535	5,444,772	(21,019,686)	45,938,414	42,085,035
Less: Income tax expense (benefit)	4,268,341	2,218,660	(11,928,241)	1,545,384	(3,895,856)
Net income (loss)	P7,453,194	P3,226,112	(P9,091,445)	P44,393,030	P45,980,891
Statement of financial position					
Total assets	P64,132,978	P71,449,222	P930,113,391	P255,269,894	P1,320,965,485
Total liabilities	P64,681,910	P68,038,872	P689,426,339	P78,606,833	P900,753,954
Other segment information					
Capital expenditures	P -	P -	P673,561	P44,275	P717,836
Depreciation and amortization	P -	P -	P1,021,301	P1,393,892	P2,415,193

8. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P540,310**	P816,785
Cash in banks		**26,472,729**	22,246,834
Cash equivalents	*21*	**99,787,025**	P74,554,022
		P126,800,064	97,617,641

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2017 and 0.02% to 0.56% per annum in 2016. Interest income on cash in banks amounted to P74 thousand, P28 thousand, and P40 thousand in 2017, 2016, and 2015, respectively.

As at December 31, 2017, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to P3.75 million, P0.26 million, nil in 2017, 2016, and 2015, respectively (see Note 21).

9. Loans and Other Receivables

This account consists of:

	Note	2017	2016
Receivable from customers:			
Consumer		**P757,205,975**	P1,070,647,942
Services		**208,152,708**	221,229,632
Other receivables	21	**21,825,829**	19,773,053
		987,184,512	1,311,650,627
Unearned interest income		**(223,383,249)**	(337,437,669)
Client's equity		**(26,963,175)**	(32,577,544)
Allowance for credit losses		**(119,892,036)**	(92,612,141)
		P616,946,052	P849,023,273

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

	Note	2017	2016
Motorcycle financing		**P571,358,193**	P895,162,741
Receivables purchased		**89,877,255**	108,591,813
Rx cash line		**117,379,281**	111,172,314
Car loans		**10,619,506**	-
Corporate salary loans		**1,855,573**	-
Business loans		**163,263,687**	166,837,270
		954,353,495	1,281,764,138
Accrued interest receivable		**12,380,291**	10,113,436
Sales contract receivable		**2,135,064**	205,064
Advances to officers and employees		**525,620**	632,061
Due from affiliates		**101,007**	101,007
Miscellaneous receivables	21	**17,689,035**	18,834,921
		P987,184,512	P1,311,650,627

Miscellaneous receivables pertain to receivables from employees, other related parties and other non-related parties.

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 receivables from customers amounted to P153.70 million, P209.20 million, and P211.41 million in 2017, 2016, and 2015, respectively.

Movements in allowance for credit losses follow:

	December 31, 2017			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	**P16,501,357**	**P72,945,970**	**P3,164,814**	**P92,612,141**
Provisions during the year	**441,476**	**24,528,457**	**2,309,962**	**27,279,895**
At December 31	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**
Total Impairment	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**

	December 31, 2016			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	P8,275,757	P46,687,767	P949,000	P55,912,524
Provisions during the year	8,225,600	26,258,203	2,215,814	36,699,617
At December 31	P16,501,357	P72,945,970	P3,164,814	P92,612,141
Total Impairment	P16,501,357	P72,945,970	P3,164,814	P92,612,141

	December 31, 2015			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	P3,818,727	P31,916,798	P949,000	P36,684,525
Provisions during the year	4,457,030	14,770,969	-	19,227,999
At December 31	P8,275,757	P46,687,767	P949,000	P55,912,524
Total Impairment	P8,275,757	P46,687,767	P949,000	P55,912,524

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. No. 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 motorcycle units lessor, 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.

As at December 31, 2017 and 2016, the Company's allowance for credit impairment losses calculated based on requirements of R.A. No. 8556 amounted to P128.14 million and P81.88 million, respectively. The amount of allowance for credit and impairment losses as recognized by the Company is different from these as the financial statements have been prepared and presented in compliance with PFRSs.

10. Investment in an Associate

This account consists of the Company's 20% investment in shares of stock of AIB as at December 31, 2016. The movement relating to this account is as follows:

	Note	**2017**	2016
Cost at the beginning of the year		**P41,666,667**	P75,000,000
Sale during the year		**41,666,667**	(33,333,333)
Cost at the end of the year		**-**	41,666,667
Accumulated equity in net earnings			
Balance at the beginning of the year		**53,295,423**	48,089,357
Share in net income	*21*	**2,252,071**	47,222,206
Sale during the year		**(55,547,494)**	(42,016,140)
Balance at the end of the year		**-**	53,295,423
		P -	P94,962,090

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

On October 18, 2017, the Company transferred, assigned and conveyed 5.99 million common shares of AIB representing 20% equity interest, in favor of Investivo Holdings Inc., for and in consideration of a total purchase price of P200.02 million which resulted in a gain of P102.80 million. The related capital gains tax amounting to P16.50 million was paid as at December 31, 2017.

On December 19, 2016, the Company transferred, assigned and conveyed 4.80 million common shares of AIB representing 16% equity interest, in favor of AIB, for and in consideration of a total purchase price of P159.98 million which resulted in a gain of P84.63 million (see Note 21). The related capital gains tax amounting to P12.00 million was accrued as at December 31, 2016 (see Note 15).

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

Total assets	P2,731,865,144
Total liabilities	2,229,499,541
	P502,365,603
Income	P353,583,591
Expenses	193,279,874
Income before income tax	160,303,717
Provision for income tax	33,686,166
Net income	P126,617,551

11. Property and Equipment

The rollforward analysis of this account follows:

	2017			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P14,447,146	P7,476,840	P8,523,396	P30,447,382
Additions	699,292	-	735,000	1,434,292
Disposals	(90,899)	-	(542,001)	(632,901)
At December 31	15,055,538	7,476,840	8,716,395	31,248,773
Accumulated Depreciation and Amortization				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation and amortization	2,105,467	1,461,651	1,340,042	4,907,160
Disposals	(42,500)	-	(90,334)	(132,834)
At December 31	12,756,436	3,155,087	4,486,353	20,397,876
Carrying Amount	P 2,299,102	P4,321,753	P4,230,042	P10,850,897

	2016			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P10,151,694	P1,424,681	P4,854,746	P16,431,121
Additions	4,295,452	6,052,159	5,479,120	15,826,731
Disposals	-	-	(1,810,470)	(1,810,470)
At December 31	14,447,146	7,476,840	8,523,396	30,447,382
Accumulated Depreciation and Amortization				
At January 1	8,908,721	889,099	2,779,560	12,577,380
Depreciation and amortization	1,784,748	804,337	1,094,596	3,683,681
Disposals	-	-	(637,511)	(637,511)
At December 31	10,693,469	1,693,436	3,236,645	15,623,550
Carrying Amount	P3,753,677	P5,783,404	P5,286,751	P14,823,832

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

In 2017, the Company sold furniture and fixtures and office equipment at its carrying amount, hence no gains or losses on disposal was incurred.

As at December 31, 2017 and 2016, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P2.43 million and P2.28 million, respectively.

As at December 31, 2017 and 2016, there were no property and equipment pledged as collateral for liabilities.

12. Investment Properties

The rollforward of this account in 2017 follows:

	2017		
	Land	**Building**	**Total**
Cost			
At January 1	**P3,544,001**	**P -**	**P3,544,001**
Additions	**41,235,421**	**11,637,000**	**52,872,421**
Disposals	**(1,198,468)**	**-**	**(1,198,468)**
At December 31	**43,580,954**	**11,637,000**	**55,217,954**
Accumulated Depreciation and Amortization			
Depreciation and amortization for the year	**-**	**(452,550)**	**(452,550)**
At December 31	**-**	**(452,550)**	**(452,550)**
Allowance for impairment losses	**(939,533)**	**-**	**(939,533)**
Net Book Value at the End of Year	**P42,641,421**	**P11,184,450**	**P53,825,871**

	2016
	Land
Cost	P3,544,001
Allowance for impairment losses	(939,533)
Net Book Value at the End of Year	P2,604,468

The aggregate fair value of the investment properties of the Company amounted to P59.39 million and P4.33 million as at December 31, 2017 and 2016, respectively.

In 2017, the Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to P10.53 million presented under "*Gain on foreclosed assets*" account in the 2017 statement of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets. There were no repossessions in 2016.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to P4,143 and P2,906 in 2017 and 2016 reported under 'Taxes and licenses' in the statements of comprehensive income.

No income was generated relating to these investment properties in 2017 and 2016.

13. Other Assets

This account consists of:

	Note	**2017**	2016
Motorcycle units - net	*11*	**P74,531,921**	P103,177,184
Prepaid expenses		**6,122,724**	3,722,630
Security deposits		**3,149,779**	3,384,627
Software costs		**374,993**	484,122
Other investments		**80,000**	80,000
Other properties acquired		**280,000**	-
		P84,539,417	P110,848,563

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from sale and write-down of motorcycle units included in the statements of comprehensive income amounted to P56.56 million, P104.70 million and P44.00 million in 2017, 2016, and 2015, respectively.

The movements in software costs follow:

	2017	2016
Cost		
At January 1	P4,869,996	P4,523,179
Additions	208,619	346,817
At December 31	5,078,615	4,869,996
Accumulated Amortization		
At January 1	4,385,874	4,055,546
Amortization for the year	317,748	330,328
Accumulated amortization	4,703,622	4,385,874
Carrying Amount	P374,993	P484,122

14. Notes Payable

This account consists of:

	Note	2017	2016
Related parties	*21*	P230,583,047	P413,106,895
Banks		186,555,843	288,379,563
Individuals		10,200,000	9,700,000
		P427,338,890	P711,186,458

Interest rates from borrowings range from 4.00% to 6% per annum in 2017 and 2016.

Interest expense on these notes payable amounted to P32.91 million, P44.98 million and P44.97 million in 2017, 2016 and 2015, respectively.

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

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2017 and 2016, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

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

	2017		2016	
	Carrying Amount	Secured Notes	Carrying Amount	Secured Notes
Motorcycle financing receivables	P260,299,462	P186,555,842	P377,519,712	P288,379,563

15. Accrued Expenses

This account consists of:

	Note	2017	2016
Accrued occupancy costs		**P5,694,105**	P3,327,362
Accrued interest	21	**3,982,795**	11,194,105
Accrued taxes		**2,447,308**	3,769,612
Accrued management and professional fees		**2,213,210**	2,084,266
Accrued administrative expenses		**1,518,195**	893,428
Accrued insurance payable		**379,615**	553,332
Accrued capital gains tax	10	**-**	11,995,000
Others		**3,436,825**	3,733,013
		P19,672,053	P37,550,118

Others include accrual on utilities, commission and premium.

16. Maturity Analysis of Assets and Liabilities

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

	2017			2016		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**P126,800,064**	**P -**	**P126,800,064**	P97,617,641	P -	P97,617,641
Loans and other receivables gross	**605,414,615**	**381,769,897**	**987,184,512**	755,651,926	555,998,701	1,311,650,627
Security deposits, and other investments	**-**	**3,229,779**	**3,229,779**	-	3,464,627	3,464,627
	732,214,679	**384,999,676**	**1,117,494,355**	853,269,567	559,463,328	1,412,732,895
Nonfinancial Assets						
Investment in an associate	**-**	**-**	**-**	-	94,962,090	94,962,090
Property and equipment - net	**-**	**10,850,897**	**10,850,897**	-	14,823,832	14,823,832
Investment properties - net		**53,825,871**	**53,825,871**	-	3,544,001	3,544,001
Deferred tax assets	**-**	**77,825,999**	**77,825,999**	-	57,706,296	57,706,296
Other assets*	**6,122,724**	**75,186,914**	**81,309,638**	106,899,814	484,122	107,383,936
	6,122,724	**217,689,681**	**223,812,405**	106,899,814	171,520,341	278,420,155
Less: Allowance for credit and impairment losses	**(27,279,895)**	**(92,612,141)**	**(119,892,036)**	-	(93,551,674)	(93,551,674)
Unearned interest income	**(136,785,759)**	**(86,597,490)**	**(223,383,249)**	(220,752,554)	(116,685,115)	(337,437,669)
Client's equity	**(26,963,175)**	**-**	**(26,963,175)**	(32,577,544)	-	(32,577,544)
	(191,028,829)	**(179,204,631)**	**(370,238,460)**	(253,330,098)	(210,236,789)	(463,566,887)
	P547,308,574	**P423,479,726**	**P970,788,300**	P706,839,283	P520,746,880	P1,227,586,163
Financial Liabilities						
Notes payable	**406,541,788**	**20,797,102**	**427,338,890**	P691,186,458	P20,000,000	P711,186,458
Accounts payable	**16,463,258**	**-**	**16,463,258**	15,717,788	-	15,717,788
Accrued expenses**	**17,224,745**	**-**	**17,224,745**	11,194,105	-	11,194,105
	440,229,791	**20,797,102**	**461,026,893**	718,098,351	20,000,000	738,098,351
Nonfinancial Liabilities						
Accrued expenses	**2,447,308**	**-**	**2,447,308**	26,356,013	-	26,356,013
Retirement liability	**-**	**436,790**	**436,790**	-	1,549,370	1,549,370
Income tax payable	**89,119**	**-**	**89,119**	1,489,950	-	1,489,950
	2,536,427	**436,790**	**2,973,217**	27,845,963	1,549,370	29,395,333
	P442,766,218	**P21,233,892**	**P464,000,110**	P745,944,314	P21,549,370	P767,493,684

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

17. Equity

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of P6.95 million to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to P6.95 million.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of P6.90 million 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 P6.90 million.

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the amount of P6.25 million to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to P6.25 million.

As at December 31, 2017, the Company has 223,412,301 common shares issued and outstanding which are owned by 105 shareholders.

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

	2017		2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	**216,462,556**	**P216,462,556**	209,565,483	P209,565,483	203,312,773	P203,312,773
Stock dividends	**6,949,745**	**6,949,745**	6,897,073	6,897,073	6,252,710	6,252,710
At December 31	**223,412,301**	**P223,412,301**	216,462,556	P216,462,556	209,565,483	P209,565,483

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% in 2016.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit obligation. No changes were made in the objectives, policies or processes in 2017.

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

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

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

For the years ended December 31, 2017 and 2016, the Company was in compliance with the minimum paid-up capital.

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

18. Retirement Plan

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

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

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

Net benefit cost (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:

	2017	2016
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**P1,713,951**	P2,117,250
Past service costs - curtailments	**(3,986,449)**	-
Net interest expense:		
Interest expense	**419,877**	320,352
Interest income on plan assets	**(336,521)**	(290,366)
	(2,189,142)	2,147,236
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	**691,224**	(1,184,373)
Remeasurement loss (gain) on plan assets	**385,338**	(26,714)
	1,076,562	(1,211,087)
Total components of retirement benefit liability	**(P1,112,580)**	P936,149

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

	2017	2016
Present value of retirement benefits obligation	**P6,643,006**	P7,804,403
Fair value of plan assets	**(6,206,216)**	(6,255,033)
Net defined benefit liability	**P436,790**	P1,549,370

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

	2017	2016
Balance at beginning of year	**P7,804,403**	P6,551,174
Current service cost	**1,713,951**	2,117,250
Past service cost - curtailments	**(3,986,449)**	-
Interest expense	**419,877**	320,352
Remeasurement (gains) losses on obligation arising from:		
Changes in financial assumptions	**(416,267)**	(543,030)
Experience adjustment	**1,107,491**	(641,343)
Balance at end of year	**P6,643,006**	P7,804,403

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

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

	2017	2016
Balance at beginning of year	**P6,255,033**	P5,937,953
Interest income	**336,521**	290,366
Remeasurement (loss) gain on plan assets	**(385,338)**	26,714
Balance at end of year	**P6,206,216**	P6,255,033

Changes in the retirement benefit liability follow:

	2017	2016
Balance at beginning of year	**P1,549,370**	P613,221
Current service cost	**1,713,951**	2,117,250
Past service costs - curtailment	**(3,986,449)**	-
Net interest cost on the retirement liability	**83,356**	29,986
Remeasurement loss (gain) on plan assets	**385,338**	(26,714)
Actuarial (gains) on retirement liability arising from:		
Experience adjustment	**1,107,491**	(641,343)
Changes in assumptions	**(416,267)**	(543,030)
Balance at end of year	**P436,790**	P1,549,370

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

	2017	2016
Cash and cash equivalents	**P1,184,578**	P900,725
AFS financial assets	**4,985,936**	5,049,688
Accrued and other receivables	**35,702**	304,620
	P6,206,216	P6,255,033

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

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

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

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

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on a reasonably possible change of each significant assumption 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 Present Value of Obligation
Discount rates	+100 basis point	(1,119,516)
	-100 basis point	1,412,096
Salary increase rates	+100 basis point	1,331,910
	-100 basis point	(1,083,00)

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

The average duration of the defined benefit plan as at the reporting date is 19.1 years and 15.9 years for year 2017 and 2016, respectively.

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

19. Miscellaneous

Miscellaneous income consists of the following items:

	2017	2016	2015
Penalties	**P10,140,631**	P11,735,907	P12,049,746
Recoveries	**4,807,162**	6,812,744	3,150,287
Others	**71,629**	95,410	97,705
	P15,019,422	P18,644,061	P15,297,738

Miscellaneous expenses consist of the following items:

	2017	2016	2015
Communication	**P2,289,744**	P 2,837,607	P1,979,600
Insurance	**2,425,303**	2,494,214	1,914,363
Stationeries and supplies	**1,852,574**	1,653,120	1,823,387
Repairs and maintenance	**1,147,845**	623,579	500,767
Meetings and conferences	**300,172**	518,330	210,934
Training and development	**141,108**	201,748	148,118
Others	**2,189,503**	746,016	797,226
	P10,346,249	P9,074,614	P7,374,395

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

20. Income Taxes

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

The components of the Company's income tax benefit for the years ended December 31, 2017, 2016 and 2015 follow:

	2017	2016	2015
Current:			
MCIT	**P1,897,303**	P2,833,371	P -
RCIT	**-**	-	3,811,044
Deferred	**(19,796,734)**	(29,180,987)	(7,706,900)
	(P17,899,431)	(P26,347,616)	(P3,895,856)

The components of deferred tax assets - net follow:

	2017	2016
Deferred tax assets on:		
Allowance for impairment and credit losses	**P35,967,611**	P27,783,642
Write-down of motorcycle units	**22,372,864**	19,302,690
NOLCO	**18,668,682**	11,135,654
Accrued expenses	**2,022,466**	981,160
Past service cost	**48,352**	80,095
	79,079,975	59,283,241
Deferred tax liabilities on:		
Remeasurement gain on defined benefit obligation	**1,253,976**	1,576,945
	P77,825,999	P57,706,296

The Company did not recognizes deferred tax asset on the MCIT amounting to P4.73 million and P2.83 million as at December 31, 2017 and 2016, respectively.

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

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	P25,110,093	P -	P25,110,093	2020
2016	37,118,846	-	37,118,846	2019
	P62,228,939	P -	P62,228,939	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	P1,897,303	P -	P1,897,303	2020
2016	2,833,371	-	2,833,371	2019
	P4,730,674	P -	P4,730,674	

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

	2017	2016
Income before income tax	**P36,499,712**	P19,984,333
Income tax computed at statutory rate (30%)	**10,949,914**	P5,995,300
Additions to (reduction in) income tax resulting from the tax effects of:		
Nondeductible expense	**4,975,980**	4,089,080
Non-deductible interest expense	**473,585**	35,467
Interest income subjected to final tax and dividend income	**(1,148,084)**	(85,982)
Tax exempt income and nontaxable income	**(34,674,191)**	(39,621,496)
Others	**1,523,365**	3,240,015
Effective income tax benefit	**(P17,899,431)**	(P26,347,616)

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to P0.73 million, P0.61 million and P0.24 million in 2017, 2016 and 2015, respectively.

21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

		2017			2016			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transactions	Due from Related Parties	Due to Related Parties	Amount of Transactions	Due from Related Parties	Due to Related Parties	Nature, Terms and Condition
Parent Company								
Miscellaneous receivables	*a*	**P -**	**P80,514**	**P -**	P -	P80,514	P -	Non-interest bearing, unsecured; no impairment
Notes payable	*b*		**-**	**161,900,000**		-	364,900,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		**9,000,000**	**-**	**-**	53,400,000	-	-	
Settlements		**212,000,000**	**-**	**-**	173,000,000	-	-	
Interest expense		**18,867,920.00**	**-**	**3,483,367**	29,062,864	-	6,030,664	
Share in net income of an associate	*c*	**2,252,071**	**-**	**-**	47,222,206	-	-	Share in income from investee's profit
Dividends		**-**	**-**	**-**	36,000,000	-	-	Cash dividend received from AIB
Gain on sale of AIB shares	*d*	**-**	**-**	**-**	84,634,527	-	-	Gain on sale of 4,800,000 shares sold to AIB for P33.33/share
Short-term placements	*e*	**486,700,000**	**-**	**-**	600,711,817	74,554,022	-	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		**528,391**	**-**	**-**	257,796	-	-	
Entities under common control								
Miscellaneous Receivables	*a*	**-**	**5,223,585**	**-**	-	4,421,397	-	Non-interest bearing, unsecured; no impairment
Availments		**2,807,577**	**-**	**-**	511,880	-	-	
Settlements		**2,005,389**	**-**	**-**	834,978	-	-	

Forward

Category/Transaction	Ref	2017 Amount of Transactions	2017 Outstanding Balances Due from Related Parties	2017 Outstanding Balances Due to Related Parties	2016 Amount of Transactions	2016 Outstanding Balances Due from Related Parties	2016 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*f*		P -	P5,852,932		P -	P12,981,050	30-day unsecured, non-interest bearing
Availments		57,558,462	-	-	P272,556,153	-	-	
Settlements		51,705,530	-	-	286,682,683	-	-	
Accounts payable	*h*	-	-	4,868,402	-	-	2,387,994	Non-interest bearing, unsecured
Availments		7,484,447	-	-	-	-	-	
Settlements		5,004,041	-	-	-	-	-	
Short-term placements	*e*	111,508,070	99,787,025	-	-	-	-	Short-term interest bearing placements at
Interest income		3,224,328	-	-	-	-	-	10.5% annual interest rate
Notes payable	*b*	-	-	44,406,271	-	-	13,000,000	Unsecured, interest-bearing
Availments		31,406,271	-	-	13,300,000	-	-	placement at
Settlements		-	-	-	13,300,000	-	-	10.0% annual interest rate
Interest expense		1,439,709	-	-	1,496,306	-	726,917	
Professional fees		-	-	-	1,102,080	-	-	
Directors and other stockholders								
Notes payable	*b*			24,276,776			35,206,895	Unsecured, 1-year interest bearing
Availments		8,790,369	-	-	19,771,610	-	-	placement at
Settlements		19,720,488	-	-	50,218,078	-	-	5.5% annual interst rate
Interest expense		1,592,548	-	-	2,539,861	-	1,054,752	
		-	-		4,379,191	-	-	
Professional fees and other management fees		2,683,498	-	-	5,481,271	-	-	Payment of professional fees for consultancy
TOTAL			P105,091,124	P244,787,748		P79,055,933	P436,288,272	

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

b. As at December 31, 2017 and 2016, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P230.58 million and P413.11 million, respectively and P3.48 million and P7.81 million, respectively. Interest expense from these borrowings amounted to P21.90 million and P32.37 million in 2017 and 2016, respectively.

   Borrowings availed from related parties amounted to P49.20 million and P73.17 million in 2017 and 2016, respectively. Settlement from borrowings amounted to P231.72 million and P236.52 million in 2017 and 2016, respectively. Interest rates from borrowings range from 5.5% to 5.75% and from 5.5% to 10% in 2017 and 2016, respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of AIB of its own 6.0 million shares with a cost of P33.33 million and accumulated equity in net earnings of P42.02 million

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

e. The Company had short-term placements with related parties amounting to P598.21 million and P600.71 million in 2017 and 2016, respectively. As at December 31, 2017 and 2016, P99.79 million and P74.55 million of these placements remain outstanding. Interest income from these placements amounted to P3.75 million P0.26 million in 2017 and 2016, respectively (see Note 8).

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

g. This involces receivable pertaining to the billing of the Company for the shared operational expenses.

h. 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 P17.80 million, P17.07 million and 15.64.million in 2017 ,2016 and 2015, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

		2017	2016	2015
a.	Net income	**P54,399,143**	P46,331,949	P45,980,891
b.	Weighted average number of outstanding common shares	**223,412,301**	216,462,556	209,565,483
c.	Basic/diluted earnings per share (a/b)	**P0.24**	P0.21	P0.22

The weighted average number of outstanding common shares in 2017 and 2016 was recomputed after giving retroactive effect to stock dividends declared on July 27, 2017, July 28, 2016 and July 30, 2015 (see Note 17).

23. Lease Commitment

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense included under 'Occupancy cost' account in the statements of comprehensive income, incurred in 2017, 2016 and 2015 amounted to P16.44 million, P14.89 million, and P7.14 million, respectively.

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

	2017	2016	2015
Less than one year	**P9,853,666**	P8,836,109	P7,360,000
Between one and five years	**18,543,031**	24,795,708	3,577,728
	P28,396,697	P33,631,817	P10,937,728

24. Notes to Statements of Cash Flows

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

Notes payable, December 31, 2016		**P711,186,458**
Cash flows during the year		
Proceeds from loans payable	**P240,696,640**	
Payment of loans payable	**(524,544,208)**	**(283,847,568)**
Notes payable, December 31, 2017		**P427,338,890**

Cash Dividends

Cash dividends received in 2016 and 2015 pertain to the dividends declaration by AIB in 2015.

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

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

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

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and licenses' account in the Company's statement of comprehensive income. Details for year 2017 consist of the following:

Capital gains tax (CGT)	**P16,496,600**
Gross receipts tax (GRT)	**8,503,036**
Documentary stamp tax (DST) on loan instruments	**2,388,793**
License and permit fees	**1,458,337**
	P28,846,766

As at December 31, 2017, accrued GRT and DST amounted to P0.58 million, and P0.27 million, respectively.

B. Withholding taxes

Details of the withholding taxes as at December 31, 2017 follow:

Expanded withholding taxes	**P7,427,255**
Withholding taxes on compensation and benefits	**6,323,040**
	P13,750,295

C. Tax Cases

As at December 31, 2017, the Company has no pending tax court cases.

D. Tax Assessment

As at December 31, 2017, the Company has no pending tax assessment.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Makati Finance Corporation
3/F Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City 1231

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2017, and have issued our report dated April 12, 2018.

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

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of Conglomerate
- Schedule of Philippine Financial Reporting Standards

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

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner
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SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. 6615137MD
Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

MAKATI FINANCE CORPORATION
SCHEDULE OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) [WHICH CONSIST OF PFRSS, PHILIPPINE ACCOUNTING STANDARDS (PAS) AND PHILIPPINE INTERPRETATIONS] EFFECTIVE AS OF DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓*	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

* *The Company will adopt this new or amendment to standard effective January 1, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle Clarifications of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓*	
PFRS 16	Leases		✓*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

* *The Company will adopt this new or amendment to standard effective January 1, 2018.*
** *The Company will adopt this new or amendment to standard effective January 1, 2019.*

PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Properties	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transaction and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01 (Revised)	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)	✓		
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&A - Cycle 2016			✓
PIC Q&Q 2017-01	Conforming Changes to PIC Q&A - Cycle 2017			✓
PIC Q&A 2017-02	PAS 32 and PAS 38 – Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2017-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 – Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 – Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 – Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓**
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓**
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓**
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓**
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓**
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓**
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓**
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓**
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓**

***** *These standards will be effective subsequent to January 1, 2017 and were not adopted early by the Company.*
*****These interpretations are approved by PIC and FRSC but pending the approval of BOA.*

<u>Legends:</u>

Adopted - means a particular standard or interpretation is relevant to the operations of the entity, (even if it has no effect or no material effect in the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not adopted - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity deviated or departed from the requirements of such standard or interpretation; 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not applicable - means the standard or interpretation is not relevant at all to the operations of the entity

EXHIBIT II
MAKATI FINANCE CORPORATION
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

UNAPPROPRIATED RETAINED EARNINGS – BEGINNING AS PREVIOUSLY PRESENTED		**P78,739,551**
ADD: NET INCOME ACTUALLY EARNED DURING THE YEAR		
Net income during the period	P54,399,143	
Deferred tax benefit during the year	(19,796,734)	
Unrealized gain on foreclosure of investment properties	(10,526,725)	**24,075,684**
LESS: DIVIDENDS DECLARED DURING THE YEAR		**(13,899,584)**
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS		**P88,915,651**

EXHIBIT IV
MAKATI FINANCE CORPORATION
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
December 31, 2017

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Short-term placements *MAPI Lending Investors, Inc.*	N/A	P13,229,644	P1,020,856
Short-term placements *HMWII Lending Investors, Inc.*	N/A	P86,557,381	P2,203,471

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Motor Ace Philippines, Inc.	1,903,297	492,554	285,553	-	492,554	1,617,743	2,110,298
Honda Motor Word, Incl.	2,446,093	25,120	71,883	-	25,120	2,374,211	2,399,331
Alvares, Jesus B.	94,380	1,093,952	74,441	-	1,093,952	19,939	1,113,891
MAPI Lending Investors, Inc.	53,950	2,347,868	1,649,658	-	752,160	-	752,160
Lumongsod, Rommel	340,829	-	-	-	-	340,829	340,829
Dela Cruz, Marialyn S.	225,206	-	13,338	-	-	211,868	211,868

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
NONE							

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Accounting Sytem QnE	P 7,824	P-	P7,823	P-	P-	P1
Windows 7 Professional OEM License	42,477	-	42,476	-	-	1
Other Software Cost	140,764	-	99,011	-	-	41,753
Web hosting domain	1	-	-	-	-	1
Web hosting domain services	1,989	-	1,704	-	-	285
HRIS Support	3,111	-	3,109	-	-	2
Sophos router Firewall License	257,903	-	99,833	-	-	158,070
Access point 55C 34900	30,053	-	11,633.00	-	-	
Central end point intercept x-cix	-	88,800	22,201	-	-	66,599
Central end point advanced-cea	-	119,820	29,958	-	-	89,862
TOTAL	**P484,122**	**P208,620**	**P317,748**	**P -**	**P -**	**P374,994**

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position	Interest rate	Maturity Date
Notes Payable *Land Bank of the Philippines*	P35,000,000	P18,260,870	P6,086,957	5%	February 1, 2019
Notes Payable *Land Bank of the Philippines*	15,000,000	7,500,000	1,875,000		
Notes Payable *Land Bank of the Philippines*	20,000,000	9,230,769	1,538,462		

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

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

Schedule G. Guarantees of Securities of Other Issuers

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

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options,warrants,conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	63,493,204	63,493,204	-	63,493,204		
COMMON	56,516,496	56,516,496	-	56,516,496		
COMMON	48,520,862	48,520,862	-			48,520,862
COMMON	9,244,615	9,244,615	-		9,244,615	
COMMON	7,900,281	7,900,281	-	7,900,281		
COMMON	7,300,577	7,300,577	-			7,300,577
COMMON	6,230,663	6,230,663	-		6,230,663	
COMMON	5,592,035	5,592,035	-			5,592,035
COMMON	5,324,208	5,324,208	-			5,324,208
COMMON	5,111,481	5,111,481	-		5,111,481	
COMMON	2,250,578	2,250,578	-		2,250,578	
COMMON						

	1,102,955	1,102,955	-			1,102,955
COMMON	663,389	663,389	-			663,389
COMMON	434,521	434,521	-			434,521
COMMON	386,040	386,040	-			386,040
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-		266,182	
COMMON	266,182	266,182	-		266,182	
COMMON	266,182	266,182	-			266,182
COMMON	266,182	266,182	-			266,182
COMMON	255,549	255,549	-			255,549
COMMON	248,005	248,005	-			248,005
COMMON	224,679	224,679	-			224,679
COMMON	160,724	160,724	-			160,724
COMMON	74,305	74,305	-			74,305
COMMON	30,200	30,200	-			30,200
COMMON	22,176	22,176	-			22,176
COMMON						

	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,176	22,176	-			22,176
COMMON	22,175	22,175	-			22,175
COMMON	30,389	30,389	-			30,389
COMMON	20,650	20,650	-			20,650
COMMON	17,959	17,959	-			17,959
COMMON	16,971	16,971	-			16,971
COMMON	15,853	15,853	-			15,853
COMMON	15,389	15,389	-			15,389
COMMON	14,426	14,426	-			14,426
COMMON	8,811	8,811	-			8,811
COMMON						

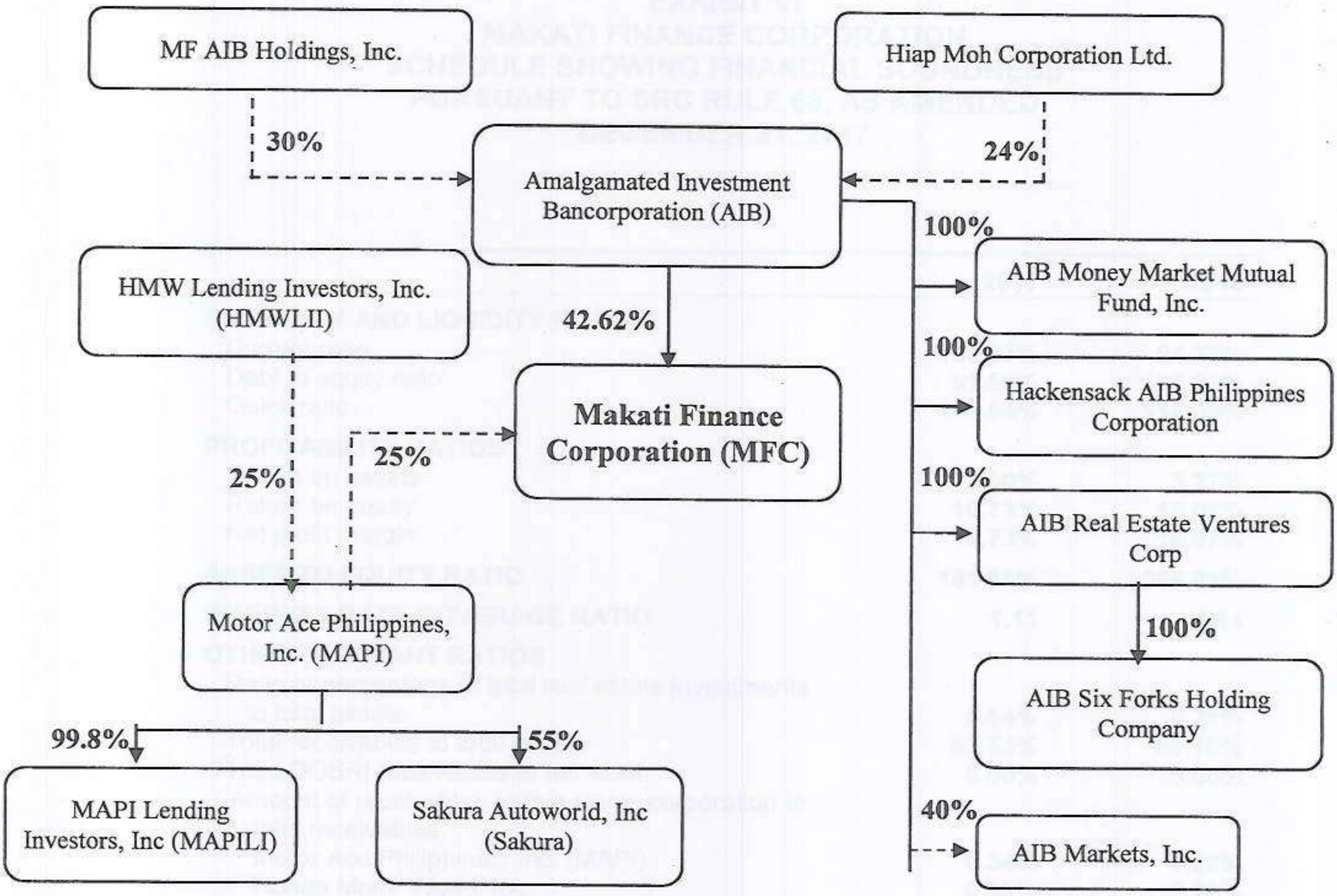
	7,532	7,532	-			7,532
COMMON	6,424	6,424	-			6,424
COMMON	6,414	6,414	-			6,414
COMMON	6,392	6,392	-			6,392
COMMON	6,322	6,322	-			6,322
COMMON	4,933	4,933	-			4,933
COMMON	2,442	2,442	-			2,442
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-		2,097	
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON	2,097	2,097	-			2,097
COMMON						

	2,097	2,097	-			2,097
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-		2,096	
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	2,096	2,096	-			2,096
COMMON	1,341	1,341	-			1,341
COMMON	1,164	1,164	-			1,164
COMMON	871	871	-			871
COMMON	664	664	-			664
COMMON						

	655	655	-			655
COMMON	452	452	-			452
COMMON	347	347	-			347
COMMON	240	240	-			240
COMMON	97	97	-			97
COMMON	97	97	-			97
COMMON	97	97	-			97
COMMON	97	97	-			97
COMMON	63	63	-			63
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	29	29	-		29	
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	15	15	-		15	
COMMON	15	15	-			15
COMMON	15	15	-			15
COMMON	15	15	-			15
COMMON						

	13	13	-			13
COMMON	1	1	-		1	
COMMON	1	1	-		1	
COMMON	1	1	-			1
TOTAL	**223,412,301**	**223,412,301**	**-**	**127,909,981**	**23,373,940**	**72,128,380**

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017



Legend:

- - - - Associate

—— Subsidiary

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	183.67%	94.77%
Debt to equity ratio	91.56%	166.81%
Quick ratio	166.84%	114.39%
PROFITABILITY RATIOS		
Return on assets	5.60%	3.77%
Return on equity	10.73%	10.07%
Net profit margin	18.73%	16.97%
ASSET TO EQUITY RATIO	191.56%	266.81%
INTEREST RATE COVERAGE RATIO	1.11	1.44
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	5.54%	0.21%
Total receivables to total assets	63.55%	69.16%
Total DOSRI receivables to net worth	0.00%	0.00%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.34%	0.22%
Honda Motor World, Inc.	0.39%	0.29%
Amalgamated Investment Bancorporation	0.01%	0.02%
MAPI Lending Investors, Inc.	0.12%	0.01%
Seine Garments Corporation	0.00%	0.01%

Computation for the Ratios:

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

COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

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

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

MARCOS E. LAROSA
Contact Person

(02) 751-8132
Company Telephone Number

1	2		3	1
Month			Day	

Fiscal Year

2018

SEC Form 17-Q
1st Qtr.2018
FORM TYPE

0	7		
Month		Day	

Annual Meeting

Every last Thursday of July

Financing
Secondary License Type, If Applicable

C R M D
Dept. Requiring this Doc.

Amended Articles Number/Section

105
Total No. of Stockholders

Total Amount of Borrowings

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

May 11, 2018

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

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

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

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

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2018 (SEC Form 17-Q) of Makati Finance Corporation.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/CIO

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2018**

2. Commission identification number **28788**

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

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

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

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

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

7. Address of issuer's principal office Postal Code

(0632) 751-8132

8. Issuer's telephone number, including area code

7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210

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

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

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

**as reported by the stock transfer agent as of March 31, 2018*

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

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

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2018	*2017*
NET INTEREST INCOME	82.63%	80.27%
EBIT MARGIN	24.23%	30.82%
RETURN ON ASSETS (ANNUALIZED)	0.04%	1.98%
DEBT TO EQUITY	92.49%	146.65%
RETURN ON EQUITY (ANNUALIZED)	0.07%	4.90%

Net interest income increased by 2.36%, which is computed by deducting the cost of borrowings from the gross interest revenues. This is mainly due to lower interest expense in the first quarter of 2018 as against the same period in 2017. The EBIT margin, which measures profitability performance as annualized net income before interest and taxes over the total interest income, ended at 24.23% in March 2018 as against 30.82% in March 2017 mainly due to lower Interest Income in March 2018. Return on assets was 0.04% in 2018 as against 1.98% in 2017. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 0.07% in Mar 2018 as against 4.90% in March 2017. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

The Company has no expected capital expenditures in 2018.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱0.88 million for the first quarter of 2018. Net interest income for the quarter ending March amounted to ₱27.3 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses incurred amounted to ₱30.65 million as of March 2018. The Company continues to provide allowance for doubtful accounts within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱975.7 million as of March 2018, 0.51% higher from ₱970.8 million as of December 31, 2017. The increase is primarily due to new loan releases for the 1st quarter of this year. Total liabilities amounted to ₱468.8 million as of March 31, 2018, 1% higher from ₱464 million in December 2017 due to payable to recorded at the end of this quarter related to new loan releases.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

Issuer..................................RENE B. BENITEZ............................

Signature and Title...........................CHAIRMAN.........................

Date ......May 11, 2018

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

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

Date ....May 11, 2018

SUBSCRIBE AND SWORN TO BEFORE ME THIS MAY 11 2018 MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER
No. ______ ISSUED ON ______ AT ______

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018 – ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V- 0026676/4-11-2018
IBP O.R No.706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607619- JAN 03, 2018- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

DOC NO. 196
PAGE NO. 41
BOOK NO. 21
SERIES NO. 2018

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2018
With Comparative Figures for 2017

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING MARCH 31, 2018, 2017 AND DEC. 31, 2017

	MARCH 31, 2018	**DEC. 31, 2017 (Audited)**	**MARCH 31, 2017**
Current Assets			
Cash and Cash Equivalents	**₱116,930,627**	₱126,800,064	₱56,934,992
Receivables *(Note 9)*	**636,338,741**	616,946,052	801,949,584
Total Current Assets	**753,269,368**	743,746,116	858,884,576
Investment Properties*(Note 12)*	**60,556,871**	53,825,871	1,406,000
Investment in Subsidiaries *(Note 10)*	**-**	-	99,788,789
Property & Equipment - net *(Note 11)*	**9,707,361**	10.850,897	13,181.448
Deferred Tax Asset *(Note 20)*	**78,827,981**	77,825,999	58,347,696
Other Assets - net *(Note 13)*	**73,336,444**	84,539,417	117,288,524
Total Assets	**₱975,698,026**	₱970,788,300	₱1,148,897,033

	MARCH 31, 2018	DEC. 31, 2017 (Audited)	MARCH 31, 2017
Current Liabilities			
Notes Payable *(Note 14)*	**₱424,147,093**	₱427,338,890	₱647,395,707
Accounts Payable *(Note 21)*	**21,440,599**	16,463,258	6,745,396
Accrued Expenses *(Note 15)*	**22,327,656**	19,672,053	22,530,120
Other Payables	**905.628**	525,909	6,432,388
Total	**₱468,820,977**	₱464,000,110	₱683,103,611
Stockholder's Equity			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	**223,412,301**	223,412,301	216,462,556
Additional Paid in Capital	**5,803,922**	5,803,922	5,803,922
Retained Earnings	**273,833,971**	219,434,771	233,334,356
Remeasurement gains on retirement assets	**3,737,996**	3,737,996	4,491,589
Share in other comprehensive income/(loss) of an associate	**-**	-	57
YTD Net Income	**88,859**	54,399,200	5,700,942
Total	**₱506,877,049**	₱506,788,190	₱465,793,422
Total Liabilities and Capital	**₱975,698,026**	₱970,788,300	₱1,148,897,033

MAKATI FINANCE CORPORATION
INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2018, 2017 and DEC. 31, 2017

	MAR. 2018	DEC. 2017 (AUDITED)	MAR. 2017
Interest Income – Loans	**33,073,799**	157,661,732	46,517,019
Cost of Borrowings	5,744,963	32,913,687	9,177,495
Net Interest Income	**37,339,524**	124,748,045	37,339,524
Less: Provisions	430,000	27,279,895	2,138,000
Net Interest Income After Provision	**26,898,835**	97,468,150	35,201,524
Other Income	2,793,030	135,004,309	10,054,528
Total Revenue	**29,691,866**	232,472,459	45,256,052
Operating Expenses			
Loss from sale and write-down of MC inventories	2,909,941	56,557,271	8,622,851
Salaries and Wages	12,254,214	56,006,403	16,141,190
Taxes & Licenses	2,803,145	28,846,766	3,120,112
Occupancy costs	3,576,737	16,435,820	4,879,053
Management & Professional Fees	2,036,857	7,336,159	2,143,152
Transportation	1,594,861	6,038,986	1,614,743
Commissions	741,051	7,997,697	228,000
Depreciation & Amortization	1,216,691	5,677,458	1,262,540
Entertainment, amusement and recreation	98,785	729,938	170,232
Amortization of software cost	106,783	317,748	77,908
Operating Expenses	**27,339,063**	185,944,246	38,259,781
Other Operating Expenses	2,886,206	10,028,501	1,836,939
Total	29,579,435	195,972,747	40,096,720
Net Income Before Income Tax	**-533,403**	36,499,712	5,159,332
Provision for Tax/Deferred Tax Adjustment	-622,263	-17,899,431	-541,610
Net Income After Tax	**88,859**	54,399,143	5,700,942
Total Comprehensive Income	**88,859**	54,399,143	5,700,942
RETAINED EARNINGS, BEGINNING	**273,833,971**	233,334,355	233,334,355
RETAINED EARNINGS, QUARTER/YEAR-END	**273,922,830**	273,833,971	239,035,297
BASIC EARNINGS PER SHARE*	**₱0.03**	₱0.24	₱0.03

***As of March 31, 2018, and December 31, 2017,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTE RIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING MARCH 31, 2018 AND 2017

	2018 31-Mar	2017 31-Mar
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	(₱533,403)	₱5,159,332
Adjustments for:		
Provisions for probable losses	3,339,941	2,138,000
Depreciation and amortization	1,216,691	1,340,448
Share in the net income of an associate		(4,826,699)
Software Amortization	106,783	
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	(26,553,689)	46,134,157
Other Assets	8,186,250	(6,617,661)
Increase (decrease) in the amounts of:		
Accounts Payable	4,977,341	(8,972,391)
Other Payable	2,655,604	(11,626,929)
Net cash provided by (used in) operating activities	(6,604,484)	22,728,257
Interest Expense Paid		
Income Tax Paid	-	-
Net Cash provided by (used in) operating activities	(6,604,484)	22,728,257
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(73,155)	379,845
Pre-termination of short-term money market placement	-	-
Cash Dividends from AIB	-	-
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	(73,155)	379,845
Cash Flow From FINANCING Activities		
Cash dividend paid	-	-
Loan Availments		32,605,278
Payment of Preterm Loan		(96,396,029)
Net cash provided by (used in) financing activities	(3,191,797)	(63,790,751)
Net cash provided by (used in) Cash and Cash Equivalents	(9,869,436)	(40,682,649)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	126,800,064	97,617,641
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	₱116,930,627	₱56,934,992

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

	Mar 31, 2018	Dec. 31, 2017	Mar 31, 2017
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	**₱223,412,301**	₱216,462,556	₱216,462,556
Stock dividends	**-**	6,949,7453	
Issuance during the year	**-**		
	223,412,301	223,412,301	216,462,556
Additional paid-in capital			
Balance, beginning of year	**5,803,922**	5,803,922	5,803,922
Issuance during the year			
	5,803,922	5,803,922	5,803,922
Retained earnings (deficit)			
Balance, beginning of year	**273,833,971**	233,334,355	233,334,355
Adjustment to RE			
Stock dividends	**-**	(6,949,745)	
Cash dividends	**-**	(6,949,839)	
Total Comprehensive Income	**88,859**	54,399,200	5,700,942
Balance, end of quarter/year	**273,922,830**	273,833,971	239,035,297
Remeasurement gains on retirement assets	**3,737,996**	3,737,996	4,491,589
Share in other comprehensive income/loss of an associate	**-**	-	57
Net unrealized loss on investments			
Total Equity	**₱506,877,049**	₱506,788,190	₱465,793,422

1. General Information

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

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

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

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

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

As at March 22, 2018, the Company's closing price at the PSE amounts to ₱2.92 per share.

2. Basis of Preparation

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

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

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

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards

The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

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

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

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

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

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

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

Interest income and expense

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

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

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

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

Revenue Recognition

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

Gain on Sale of Investment in an Associate

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

Gain on Foreclosed Assets

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

Gain on Sale of Assets

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

Service Charges

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

Dividend Income

Dividend income is recognized when the right to receive payment has been established.

Miscellaneous Income

Income from other sources is recognized when earned.

Expenses

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

Cash and Cash Equivalents

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

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial instruments

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

Classification and Measurement

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

As at March 31, 2018 and December 31, 2017, the Company has no HTM investments, AFS financial assets and financial assets and liabilities at FVPL.

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

a. *Financial Assets at FVPL*

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

b. *AFS Financial Assets*

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

   After initial measurement, any AFS financial assets are subsequently measured at fair value. Any unrealized gains or losses arising from the fair valuation of AFS

financial assets are excluded from reported income and are reported as 'net unrealized loss on AFS financial assets in OCI.
When the AFS financial assets are disposed, the cumulative gain or loss previously recognized in OCI is recognized in profit or loss.

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

After initial measurement, HTM investments are carried at amortized cost using the effective interest method less any impairment losses. A sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as AFS financial assets, and would prevent the Company from classifying investment securities as HTM for the current and the following two (2) financial years.

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

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

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

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

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

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

e. *Other Financial Liabilities*
This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements result in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized

cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Included in this category are 'Notes payable', 'Accounts payable' and 'Accrued expenses' (excluding payable to government).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

<u>Financial Asset</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties
Investment properties are measured initially at cost, including transactions costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Any gain or loss on exchange is recognized in profit or loss under 'Gain on foreclosed assets'.

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

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

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

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

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

Other Properties Acquired

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

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

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Motorcycle Units

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

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

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

All other expenditure is expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

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

Contingent Assets and Contingent Liabilities

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

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

Earnings Per Share

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

Segment Reporting

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

Events After the Reporting Date

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

To be Adopted January 1, 2018

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

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

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

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

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

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

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

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

To be Adopted January 1, 2019

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

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments and Estimates

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

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

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

Judgments

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

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

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

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

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

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

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

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

The Company assessed that allowance for credit losses necessary for its loans and receivables as at March 31, 2018 and December 31, 2017 amounted to ₱ 120.32 million and ₱119.89 million, respectively (see Note 9).

The carrying value of loans and receivables amounted to ₱636.33 million and ₱616.94 million as at March 31, 2018 and December 31, 2017, respectively, net of allowance for credit losses (see Note 9).

(b) Impairment of Investment in an Associate, Property and Equipment, Investment Properties and Software Costs
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be

recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Fair Value Measurement

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

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

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

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

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

comparable investments or using the discounted cash flow methodology

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

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

6. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

	March 31, 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*	₱116,930,627	₱ -	₱116,930,627	₱96,800,856	₱ -	₱96,800,856
Receivable from customers:						
Consumer	588,656,554	457,548,293	131,108,260	770,797,008	746,006,867	24,790,141
Services	146,585,304	24,691,171	121,894,132	151,855,672	7,155,357	144,700,315
Other receivables	19,523,778	-	19,523,778	18,982,734	-	18,982,734
Security deposits**	3,381,707	-	3,381,707	3,384,627	-	3,384,627
	₱875,077,969	₱482,239,465	₱ 392,838,504	₱1,041,820,897	₱753,162,224	₱288,658,673

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

	March 31, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	₱56,934,992	₱ -	₱56,934,992	₱96,800,856	₱ -	₱96,800,856
Receivable from customers:						
Consumer	726,990,536	697,910,915	29,079,621	770,797,008	746,006,867	24,790,141
Services	149,573,441	7,155,357	142,418,084	151,855,672	7,155,357	144,700,315
Dividend receivable	-	-	-	-	-	-
Other receivables	20,135,747	-	20,135,747	18,982,734	-	18,982,734
Security deposits**	3,384,627	-	3,384,627	3,384,627	-	3,384,627
	₱957,019,343	₱705,066,272	₱251,953,071	₱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).

	March 31, 2018 (Unaudited)					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and Other Receivables						
Cash and cash equivalents*	₱116,930,627	₱ –	₱ -	₱ -	₱ -	₱116,930,627
Receivable from customers:						
Consumer	310,094,605	-	58,594,580	111,651,226	108,316,143	588,656,554
Services	10,823,815	-	97,424,430	19,827,047	18,510,012	146,585,304
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	19,523,778	-	-	19,523,778
Security deposits	-	-	3,381,7077	-	-	3,381,7077
Other investments**	-	-		-	-	
	₱437,849,047	₱ -	₱178,924,495	₱131,478,273	₱126,826,155	₱875,077,969

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

	March 31, 2017 (Unaudited)					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and Other Receivables						
Cash and cash equivalents*	₱56,934,992	₱ –	₱ -	₱ -	₱ -	₱56,934,992
Receivable from customers:						
Consumer	460,940,516	-	16,830,026	155,293,473	93,926,521	726,990,536
Services	-	-	120,648,066	-	28,925,375	149,573,441
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	20,135,747	-	-	20,135,747
Security deposits	-	-	3,384,627	-	-	3,384,627
Other investments**	-	-	80,000	-	-	80,000
	₱517,875,508	₱ -	₱161,078,466	₱155,293,473	₱122,851,896	₱957,099,343

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

	December 31, 2017 (Audited)					
	Neither Past Due nor Impaired			Past Due but not Impaired		
	High Grade	Medium Grade	Low Grade		Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	₱126,259,754	₱ -	₱ -	₱ -	₱ -	₱126,259,754
Receivable from customers:						
Consumer	325,447,820	-	31,533,408	112,057,211	108,338,523	577,376,962
Services	10,823,815	-	92,709,481	19,777,047	18,460,012	141,770,355
Other receivables			17,690,772			17,690,772
Security deposits	-	-	3,149,779	-	-	3,149,779
Other investments**	-	-	80,000	-	-	80,000
	₱462,531,389	₱ -	₱145,163,440	₱131,834,258	₱126,798,535	₱866,327,622

** 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:

	March 31, 2018 (Unaudited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱52,570,9972	₱21,621,879	₱12,480,533	₱11,892,462	₱13,085,379	₱111,651,226
Services	18,821,565	262,002	341,431	373,177	28,873	19,827,047
	₱71,392,537	₱21,883,881	₱12,821,964	₱12,265,639	₱13,114,252	₱131,478,273

	March 31, 2017 (Unaudited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱80,992,956	₱33,352,112	₱17,005,896	₱6,635,846	₱17,306,661	₱155,293,471
Services	-	-	-	-	-	-
	₱80,992,956	₱33,352,112	₱17,005,896	₱6,635,846	₱17,306,661	₱155,293,471

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

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 March 31, 2018 (Unaudited)					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	₱ -	₱-	₱ -	₱ -	₱ -	₱ -	₱-
Loans and other receivables							
Receivable from customers:							
Consumer	588,656,553	130,017,714	150,063,759	201,701,020	227,325,022	31,984,402	741,091,920
Services	146,585,303	114,445,232	21,186,876	24,617,912	44,192,352	12,533,947	216,976,322
Other receivables	22,188,235		-	22,095,673	-	-	22,095,673
Dividend receivable	-	-	-	-	-	-	-
Security deposit	-	-	-	-	-	-	
Other investments*	19,523,777	64,062,498-	(10,491,523)-	(20,983,047)	-		32,587,927
	₱776,953,870	₱308,525,445	₱160,759,112	₱227,431,559	₱271,517,375	₱44,518,350	₱1,012,751,843
Financial Liabilities							1,012,751,843
Notes payable	₱711,186,458	₱106,733,535	₱130,300,000	₱474,403,399	₱175,634,196	₱20,000,000	₱711,186,458
Accounts payable	15,717,788	15,717,788	-	-	-	-	15,717,788
Accrued interest	22,327,653	22,327,653	-	-	-	-	22,327,653
	₱749,231,899	₱144,778,977	₱130,300,000	₱474,403,399	₱175,634,196	₱ 20,000,000	₱749,231,899
Net liquidity gap	₱27,721,970	₱163,746,468	₱21,520,519	(₱208,774,537)	₱95,883,179	₱24,518,350	₱263,519,943

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

		Contractual Maturities March 31, 2017 (Unaudited)					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	₱56,934,992	₱56,934,992	₱ -	₱ -	₱ -	₱ -	₱56,934,992
Loans and other receivables							
Receivable from customers:							
Consumer	726,990,536	151,609,672	136,855,837	239,556,403	431,894,305	29,559,473	989,475,691
Services	149,573,441	124,004,889	13,812,320	24,53,936	43,538,968	12,348,633	217,958,748
Other receivables	20,135,747	18,532,223	1,152,362	2,304,724	-	-	21,989,309
Dividend receivable	-	-	-	-	-	-	-
Security deposits	3,384,627	-	-	-	-	3,384,627	3,384,627
Other investments*	80,000	-	-	-	-	80,000	80,000
	₱957,099,343	₱351,081,776	₱151,820,519	₱266,115,064	₱475,433,274	₱45,372,733	₱1,289,823,367
Financial Liabilities							
Notes payable	647,395,707	25,000,000	130,300,000	474,403,399	17,692,308		647,395,707
Accounts payable	6,745,396	6,745,396	-	-	-	-	6,745,396
Accrued interest	9,697,714	9,697,714	-	-	-	-	9,697,714
	663,838,817	41,443,110	130,300,000	474,403,399	17,692,308	-	663,838,817
Net liquidity gap	₱293,260,526	₱309,638,666	₱21,520,519	(₱208,774,537)	₱457,740,966	₱45,372,733	₱625,984,550

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

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

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

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.

Foreign Exchange Rate Risk
The Company's exposure to foreign exchange rate risk is deemed minimal for the years ended March 31, 2018 and December 31, 2017.

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.

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

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:

	March 31, 2018 (Unaudited)				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	₱126,235,761	₱284,068,266	₱547,671,654	₱54,776,162	₱ 1,012,751,843
Results of operation					
Revenues					
Interest income	P5,164,575	P9,167,948	P18,405,752	P335,524	P33,073,799
Other income	420,441	1,383,157	907,789	81,643	2,793,030
	5,585,016	10,551,105	19,313,541	417,167	35,866,829
Expenses					
Interest expense	251,796	854,371	4,581,244	57,551	5,744,963
Provision for credit losses	500,000	500,000	2,339,940	-	3,339,940
Operating expenses	519,388	861,528	25,934,411	-	27,315,328
	1,271,185	2,215,899	32,855,596	57,551-	36,400,232
Net operating income (loss)	4,313,831	8,335,206	(13,542,053)	359,612	(533,403)
Less: Income tax expense (benefit)	1,444,149	2,650,561	(4,824,857)	107,883	(622,262)
Net income (loss)	P2,869,682	P5,684,644	(8,717,196)	P251,728	P88,859
Statement of financial position					
Total assets	P121,617,140	P273,674,985	P527,633,847.	52,772,052	P975,698,025
Total liabilities	P58,436,795	P131,500,289	P253,527,020	P 25,356,866	P 468,820,972
Other segment information					
Capital expenditures	P-	P-	P-	P-	P-
Depreciation and amortization	P-	P	P	P	P

	March 31, 2017 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱115,083,015	₱302,952,241	₱789,399,183	₱21,989,310	₱1,229,423,749
Results of operation					
Revenues					
Interest income	₱5,234,933	₱8,124,307	₱33,049,238	₱108,541	₱46,517,019
Other income	710,282	1,041,089	2,029,822	6,273,335	10,054,528
	5,945,215	9,165,397	35,079,060	6,381,876	56,571,548
Expenses					
Interest expense	589,718	2,342,238	6,245,539	-	9,177,495
Provision for credit losses	500,000	-	1,638,000	-	2,138,000
Operating expenses	13,552	845,948	39,237,220	-	40,096,720
	1,103,270	3,188,186	47,120,759	-	51,412,215
Net operating income (loss)	4,841,945	5,977,211	(12,041,699)	6,381,876	5,159,333
Less: Income tax expense (benefit)	1,452,583	1,793,163	(5,701,919)	1,914,563	(541,610)
Net income (loss)	₱3,389,361	₱4,184,048	(₱6,339,780)	₱4,467,313	₱5,700,942
Statement of financial position					
Total assets	₱107,545,128	₱283,109,002	₱737,693,883	₱20,549,020	₱1,148,897,033
Total liabilities	₱63,943,472	₱168,329,081	₱438,613,157	₱12,217,900	₱683,103,611
Other segment information					
Capital expenditures	₱-	₱-	₱-	₱-	₱-
Depreciation and amortization	₱118,183	₱311,113	₱888,570	₱22,582	₱1,340,448

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

8. Cash and Cash Equivalents

This account consists of:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Cash on hand	**₱1,373,003**	₱ 540,310	₱487,198
Cash in banks	**26,099.069**	26,472,729	44,869,416
Cash equivalents (Note21)	**89,458,555**	99,787,025	11,578,376
	₱116,930,627	₱ 126,800,064	₱56,934,992

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2018 and in 2017. Interest income on cash in banks amounted to ₱10 thousand, ₱74 thousand, and ₱1 thousand in March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

As of March 31, 2018, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to ₱1.31 million, ₱3.75 million, ₱341.8 Thousand March 31, 2018, and December 31, 2017 and March 31, 2017, respectively (see Note 21).

9. Loans and Other Receivables

This account consists of:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Loans Receivable			
Consumer	**₱762,757,595**	₱757,205,975	₱ 989,475,691
Services	**216,976,323**	208,152,708	217,958,748
Other Receivables	**31,303,410**	21,825,829	21,989,310
	1,011,037,328	987,184,512	1,229,423,749
Unearned interest income	**(227,584,382)**	(223,383,249)	(301,861,303)
Client's equity	**(27,222,169)**	(26,963,175)	(30,862,721)
Allowance for credit losses	**(120,322,036)**	(119,892,036)	(94,750,141)
	₱636,338,741	₱ 616.936,052	₱ 801,949,584

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

Loans and receivables according to product type:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Motorcycle financing	**₱ 537,132,638**	₱571,358,193	₱780,751,250
Receivables purchased	**90,740,562**	89,877,255	102,875,732
Rx cash line	**125,339,589**	117,379,281	113,617,511
Car Loans	**18,635,793**	10,619,506	
Corporate salary loans	**3,552,443**	1,855,573	
Business loans	**193,327,704**	163,263,687	200,076,509
	968,728,729	954,353,495	1,197,321,002
Accrued interest receivable	**11,005,188**	12,380,291	10,113,436
Sales contract receivable	**2,015,064**	2,135,064	205,064
Advances to officers and employees	**655,214**	525,620	632,061
Due from affiliates	**101,007**	101,007	101,007
Miscellaneous receivables	**28,532,125**	17,689,035	21,051,179
	₱1,011,037,328	₱987,184,512	₱1,229,423,749

Miscellaneous receivables consist of receivables from employees resulting from

Company loans, other related parties and other non-related parties.

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

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱46.5 million and ₱153.70 million in March 31, 2018 and December 31, 2017, respectively.

Movements in allowance for credit losses follow:

	March 31, 2018 (Unaudited)			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	P16,501,357	P72,945,970	P3,164,814	P92,612,141
Provisions during the year	441,476	24,528,457	2,309,962	27,279,895
At March 31	P16,942,833	P97,474,427	P5,474,776	P119,892,036
Total Impairment	P16,942,833	P97,474,427	P5,474,776	P119,892,036

	March 31, 2017 (Unaudited)				
	Receivable from Customers				
	Construction	Services	Consumer	Others	Total
At January 1	₱2,793,048	₱13,708,309	₱72,945,970	₱3,164,814	₱92,612,141
Provisions during the year	-	500,000	1,638,000	-	2,138,000
At March 31	₱2,793,048	₱14,208,309	₱74,583,970	₱3,164,814	₱94,750,141
Total Impairment	₱2,793,048	₱14,208,309	₱74,583,970	₱3,164,814	₱94,750,141

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

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

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

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

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

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

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

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

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

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

10. Investment in an Associate

This account consists of Company's 20% investment in shares of stock of AIB as at March 31, 2018 and December 31, 2017 respectively:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Cost at the beginning of the year	**₱41,666,667**	₱41,666,667	₱41,666,667
Sale during the year	**(41,666,667)**	(41,666,667)	-
Cost at the end of the year	-	-	41,666,667
Accumulated equity in net earnings			
Balance at the beginning of the year	**53,295,423**	53,295,423	53,295,423
Share in net income	**2,252,071**	2,252,071	4,826,699
Sale during the year	**(55,547,494)**	(55,547,494)	-
Balance at the end of the year	-	-	58,122,122
	₱ -	₱ -	₱99,788,789

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

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

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

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

Total assets	₱2,731,865,144
Total liabilities	2,229,499,541
	₱ 502,365,603
Income	₱ 353,583,591
Expenses	193,279,874
Income before income tax	160,303,717

Provision for income tax	33,686,166
Net income	₱ 126,617,551

11. Property and Equipment

The rollforward analysis of this account follows:

	March 31, 2018 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,539	₱7,476,839	₱8,716,395	₱31,248,773
Additions	73,156	-	-	73,156
Disposals	-	-	-	-
At March 31	₱15,128,694	₱7,476,840	₱8,132,664	₱31,321,929
Accumulated Depreciation and Amortization				
At January 1	₱12,756,436	₱3,155,087	₱4,486,353	₱20,397,876
Depreciation and amortization	509,186	365,163	342,343	1,216,691
Disposals	-	-	-	-
At March 31	13,265,622	3,520,250	4,828,696	21,614,568
Carrying Amount	1,863,072	3,956,590	3,887,699	9,707,361

	March 31, 2017 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱14,447,146	₱7,476,840	₱8,523,396	₱30,447,382
Additions	100,887	-	-	100,887
Disposals	(90,000)	-	(390,732)	(480,732)
At March 31	14,458,033	7,476,840	8,132,664	30,067,537
Accumulated Depreciation and Amortization				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation and amortization	669,394	365,463	305,590	1,340,447
Disposals	-	-	-	-
At March 31	11,362,863	2,058.899	3,542,036	16,963,997
Carrying Amount	₱3,095,170	₱5,417,941	₱4,590,628	₱13,103,540

	December 31, 2017 (Audited)			

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

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

As at March 31, 2018 and December 31, 2017, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱2.43 million and ₱2.43 million, respectively.

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

12. Investment Properties

The rollforward of this account in 2017 follows:

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

March 31, 2017 (Unaudited)	
	Land
Cost	
At January 1	₱2,604,468
Additions	
Disposals	
At March 31	2,604,46[illegible]
Accumulated Depreciation	
At January 1	
Depreciation and amortization	
Disposals	
At March 31	
Carrying Amount	₱2,604,468

The aggregate fair value of the investment properties of the Company amounted to ₱59.39 and ₱4.33 million as at December 31, 2017 and March 31, 2017, respectively.

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

Only one lot amounting to P1.20 million was sold in 2017. No gain or loss was recognized on the disposal of investment properties in 2017.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱4,143 and ₱2,906 as at December 31, 2017 and March 31, 2017, respectively reported under 'Taxes and licenses' in the statements of comprehensive income.

No income was generated relating to these investment properties in 2018 and 2017.

13. **Other Assets** - net

This account consists of:

	Note	**Mar-18 (Unaudited)**	Dec-17 (Audited)	Mar-17 (Unaudited)
Motorcycle units,net	*11*	**₱62,916,260**	₱74,531,921	₱108,023,469
Prepaid expenses		**6,922,195**	6,122,724	5,185,595
Security deposits		**3,149,779**	3,149,779	3,384,627
Software costs		**268,210**	374,993	614,833
Other investments		**80,000**	80,000	80,000
Other properties acquired		**-**	280,000	-
		₱73,336,444	₱84,539,417	₱117,288,524

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from sale and write-down of motorcycle units included in profit or loss amounted to ₱2.91 million, ₱56.56 million in March 31, 2018 and December 31, 2017, respectively.

The movements in software costs follow:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Cost			
At January 1	**₱5,078,615**	₱4,869,996	₱4,869,996
Additions	**-**	208,619	208,620
At March 31 and December 31	**5,078,615**	5,078,615	5,078,616
Accumulated Amortization			
At January 1	**4,703,622**	4,385,874	4,385,874
Amortization for the year	**106,783**	317,748	77,908
Accumulated amortization	**4,810,405**	4,703,622	4,463,782
At March 31 and December 31	**₱268,210**	₱374,993	₱613,834

14. Notes Payable

This account consists of:

	Note	**Mar-18 (Unaudited)**	Dec-17 (Audited)	Mar-17 (Unaudited)
Related parties	*21*	**₱259,041,645**	₱230,583,047	₱394,063,741
Banks		**155,205,448**	186,555,843	243,131,966
Individuals		**9,900,000**	10,200,000	10,200,000
		₱424,147,093	₱427,338,890	₱647,395,707

Interest rates from borrowings range from 4.00% to 6% per annum in March 31, 2018, December 31, 2017 and March 31, 2017.

Interest expense on these notes payable amounted to ₱5.74 million, ₱32.91 million, and ₱9.17 million in March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

Notes payable to banks have a maturity of up to three (3) years. As at March 31, 2018 and December 31, 2017, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

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

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

15. Accrued Expenses

This account consists of:

	Note	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Accrued capital gains tax	10	**₱-**	₱-	₱-
Accrued interest	21	**5,465,423**	3,982,795	9,697,714
Accrued taxes		**1,781,010**	2,447,308	3,816,689
Accrued occupancy costs		**3,747,003**	5,694,105	3,199,760
Accrued management and professional fees		**2,897,884**	2,213,210	1,656,025
Accrued administrative expenses		**3,389,053**	1,518,195	1,302,806
Accrued insurance payable		**363,644**	379,615	425,571
Others		**4,683,640**	3,436,825	2,431,555
		₱22,327,657	₱19,672,053	₱22,530,120

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

16. Maturity Analysis of Assets and Liabilities

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

	March 31, 2018 (Unaudited)			March 31, 2017 (Unaudited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	₱56,934,992	₱ -	₱56,934,992	₱56,934,992	₱ -	₱56,934,992
Loans and other receivables - gross	708,280,395	521,143,354	1,229,423,749	708,280,395	521,143,354	1,229,423,749
Other assets	-	3,464,627	3,464,627	-	3,464,627	3,464,627
	765,215,387	524,607,981	1,289,823,368	765,215,387	524,607,981	1,289,823,368
Nonfinancial Assets						
Investment in an associate	-	99,788,789	99,788,789	-	99,788,789	99,788,789
Property and equipment	-	13,181,448	13,181,448	-	13,181,448	13,181,448
Investment properties - gross	-	3,544,001	3,544,001	-	3,544,001	3,544,001
Deferred tax assets	-	58,347,696	58,347,696	-	58,347,696	58,347,696
Other assets	108,023,469	9,265,056	117,288,525	108,023,469	9,265,056	117,288,525
	108,023,469	184,126,990	292,150,459	108,023,469	184,126,990	292,150,459
Less: Allowance for credit and impairment losses	-	(94,750,141)	(94,750,141)	-	(94,750,141)	(94,750,141)
Unearned interest income	(197,478,408)	(104,382,895)	(301,861,303)	(197,478,408)	(104,382,895)	(301,861,303)
Client's equity	(30,862,721)	-	(30,862,721)	(30,862,721)	-	(30,862,721)
	(228,341,129)	(199,133,036)	(427,474,165)	(228,341,129)	(199,133,036)	(427,474,165)
	₱644,897,726	₱509,601,935	₱1,154,499,661	₱644,897,726	₱509,601,935	₱1,154,499,661
Financial Liabilities						
Notes payable	₱629,703,399	₱17,692,308	₱647,395,707	₱629,703,399	₱17,692,308	₱647,395,707
Accounts payable	6,745,396	-	6,745,396	6,745,396	-	6,745,396
Accrued interest	9,697,715	-	9,697,715	9,697,715	-	9,697,715
	646,146,510	17,692,308	663,838,818	646,146,510	17,692,308	663,838,818

	December 31, 2017 (Audited)			December 31, 2016 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	₱126,800,064	₱-	₱126,800,064	₱97,617,641	₱ -	₱97,617,641
Loans and other receivables - gross	605,414,615	381,769,897	987,184,512	755,651,926	555,998,701	1,311,650,627
Security deposits, Other investments and Other Properties Acquired	-	3,509,779	3,509,779	-	3,464,627	3,464,627
	732,214,679	385,279,676	1,117,494,355	853,269,567	559,463,328	1,412,732,895

15. Accrued Expenses

This account consists of:

	Note	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Accrued capital gains tax	10	**₱-**	₱-	₱-
Accrued interest	21	**5,465,423**	3,982,795	9,697,714
Accrued taxes		**1,781,010**	2,447,308	3,816,689
Accrued occupancy costs		**3,747,003**	5,694,105	3,199,760
Accrued management and professional fees		**2,897,884**	2,213,210	1,656,025
Accrued administrative expenses		**3,389,053**	1,518,195	1,302,806
Accrued insurance payable		**363,644**	379,615	425,571
Others		**4,683,640**	3,436,825	2,431,555
		₱22,327,657	₱19,672,053	₱22,530,120

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

16. Maturity Analysis of Assets and Liabilities

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

	March 31, 2018 (Unaudited)			March 31, 2017 (Unaudited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱56,934,992**	**₱ -**	**₱56,934,992**	₱56,934,992	₱ -	₱56,934,992
Loans and other receivables - gross	**708,280,395**	**521,143,354**	**1,229,423,749**	708,280,395	521,143,354	1,229,423,749
Other assets	**-**	**3,464,627**	**3,464,627**	-	3,464,627	3,464,627
	765,215,387	**524,607,981**	**1,289,823,368**	765,215,387	524,607,981	1,289,823,368
Nonfinancial Assets						
Investment in an associate	**-**	**99,788,789**	**99,788,789**	-	99,788,789	99,788,789
Property and equipment	**-**	**13,181,448**	**13,181,448**	-	13,181,448	13,181,448
Investment properties - gross	**-**	**3,544,001**	**3,544,001**	-	3,544,001	3,544,001
Deferred tax assets	**-**	**58,347,696**	**58,347,696**	-	58,347,696	58,347,696
Other assets	**108,023,469**	**9,265,056**	**117,288,525**	108,023,469	9,265,056	117,288,525
	108,023,469	**184,126,990**	**292,150,459**	108,023,469	184,126,990	292,150,459
Less: Allowance for credit and impairment losses	**-**	**(94,750,141)**	**(94,750,141)**	-	(94,750,141)	(94,750,141)
Unearned interest income	**(197,478,408)**	**(104,382,895)**	**(301,861,303)**	(197,478,408)	(104,382,895)	(301,861,303)
Client's equity	**(30,862,721)**	**-**	**(30,862,721)**	(30,862,721)	-	(30,862,721)
	(228,341,129)	**(199,133,036)**	**(427,474,165)**	(228,341,129)	(199,133,036)	(427,474,165)
	₱644,897,726	**₱509,601,935**	**₱1,154,499,661**	₱644,897,726	₱509,601,935	₱1,154,499,661
Financial Liabilities						
Notes payable	**₱629,703,399**	**₱17,692,308**	**₱647,395,707**	₱629,703,399	₱17,692,308	₱647,395,707
Accounts payable	**6,745,396**	**-**	**6,745,396**	6,745,396	-	6,745,396
Accrued interest	**9,697,715**	**-**	**9,697,715**	9,697,715	-	9,697,715
	646,146,510	**17,692,308**	**663,838,818**	646,146,510	17,692,308	663,838,818
Nonfinancial Liabilities						
Accrued expenses	**25,823,397**	**-**	**25,823,397**	25,823,397	-	25,823,397
Retirement liability	**-**	**1,549,370**	**1,549,370**	-	1,549,370	1,549,370
Income tax payable	**1,589,740**	**-**	**1,589,740**	1,589,740	-	1,589,740
	27,413,137	**1,549,370**	**28,962,507**	27,413,137	1,549,370	28,962,507
	₱673,559,647	**₱19,241,678**	**₱692,801,325**	₱673,559,647	₱19,241,678	₱692,801,325

	December 31, 2017 (Audited)			December 31, 2016 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	₱126,800,064	₱-	₱126,800,064	₱97,617,641	₱ -	₱97,617,641
Loans and other receivables - gross	605,414,615	381,769,897	987,184,512	755,651,926	555,998,701	1,311,650,627
Security deposits, Other investments and Other Properties Acquired	-	3,509,779	3,509,779	-	3,464,627	3,464,627
	732,214,679	385,279,676	1,117,494,355	853,269,567	559,463,328	1,412,732,895
Nonfinancial Assets						
Investment in an associate	-	-	-	-	94,962,090	94,962,090
Property and equipment	-	10,850,897	10,850,897	-	14,823,832	14,823,832
Investment properties – gross		54,278,421	54,278,421	-	3,544,001	3,544,001
Deferred tax assets	-	77,825,999	77,825,999	-	57,706,296	57,706,296
Other assets*	374,993	80,654,645	81,029,638	106,899,814	484,122	107,383,936
	374,993	223,609,962	223,984,955	106,899,814	171,520,341	278,420,155
Less: Allowance for credit and impairment losses	(27,279,895)	(93,119,340)	(120,399,235)	-	(93,551,674)	(93,551,674)
Unearned interest income	(136,785,759)	(86,597,490)	(223,383,249)	(220,752,554)	(116,685,115)	(337,437,669)
Client's equity	(26,963,175)	-	(26,963,175)	(32,577,544)	-	(32,577,544)
	(191,028,829)	(179,716,830)	(370,745,659)	(253,330,098)	(210,236,789)	(463,566,887)
	₱541,560,843	₱429,172,808	₱970,733,651	₱706,839,283	₱520,746,880	₱1,227,586,163
Financial Liabilities						
Notes payable	406,541,788	20,797,102	427,338,890	P691,186,458	P20,000,000	P711,186,458
Accounts payable	16,463,258	-	16,463,258	15,717,788	-	15,717,788
Accrued interest	17,224,745	-	17,224,745	11,194,105	-	11,194,105
	440,229,791	20,797,102	461,026,893	718,098,351	20,000,000	738,098,351
Nonfinancial Liabilities						
Accrued expenses*	2,447,308	-	15,689,258	26,356,013	-	26,356,013
Retirement liability	-	436,790	436,790	-	1,549,370	1,549,370
Income tax payable	89,118	-	88,268	1,489,950	-	1,489,950
	2,536,426	436,790	16,214,316	27,845,963	1,549,370	29,395,333
	₱442,766,217	₱21,233,892	₱464,000,109	₱745,944,314	₱21,549,370	₱767,493,684

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

17. Equity

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

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

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the amount of ₱6,252,710 to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,252,777. Fractional shares related to this declaration were settled in cash with a total amount of ₱ 67.00.

On July 31, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the amount of ₱3,465,553 to stockholders of record as of

August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱3,465,588. Fractional shares related to this declaration were settled in cash with a total amount of ₱ 36.00.

As at March 31, 2017, the Company has 216,462,556 common shares issued and outstanding which were owned by 103 shareholders.

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

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

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

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

Capital Management

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

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

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

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

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

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

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

18. Retirement Plan

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

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

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

Net benefit cost (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:

	2017	2016
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,713,951**	P2,117,250
Past service costs - curtailments	**(3,986,449)**	-
Net interest expense:		
Interest expense	**419,877**	320,352
Interest income on plan assets	**(336,521)**	(290,366)
	(2,189,142)	2,147,236
Components of retirement benefit liability recorded in OCI		
Remeasurement gain on defined benefits obligation	**691,224**	(1,184,373)
Remeasurement loss (gain) on plan assets	**385,338**	(26,714)
	1,076,562	(1,211,087)
Total components of retirement benefit liability	**(₱1,112,580)**	₱936,149

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

	2017	2016
Present value of retirement benefits obligation	**₱6,643,006**	₱7,804,403
Fair value of plan assets	**(6,206,216)**	(6,255,033)
Net defined benefit liability	**₱436,790**	₱1,549,370

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

	2017	2016
Balance at beginning of year	**₱7,804,403**	₱6,551,174
Current service cost	**1,713,951**	2,117,250
Past Service Cost-curtailments	**(3,986,449)**	-
Interest expense	**419,877**	320,352
Remeasurement gains (losses) on obligation arising from:		

Change in financial assumptions	**(416,267)**	(543,030)
Experience adjustment	**1,107,491**	(641,343)
Balance at end of year	**₱6,643,006**	₱7,804,403

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

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

	2017	2016
Balance at beginning of year	**₱6,255,033**	₱5,937,953
Interest income	**336,521**	290,366
Remeasurement (loss) gain on plan assets	**(385,338)**	26,714
Balance at end of year	**₱6,206,216**	₱6,255,033

Changes in the retirement benefit liability follow:

	2017	2016
Balance at beginning of year	**₱1,549,370**	₱613,221
Current service cost	**1,713,951**	2,117,250
Past service costs-curtailment	**(3,986,449)**	-
Net interest cost on the retirement liability	**83,356**	29,986
Remeasurement loss (gain) on plan assets	**385,338**	(26,714)
Actuarial gains on retirement liability arising from:		
Experience adjustment	**1,107,491**	(641,343)
Changes in assumptions	**(416,267)**	(543,030)
Changes in the effect of asset ceiling		-
Balance at end of year	**₱436,790**	₱1,549,370

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

	2017	2016
Cash and cash equivalents	**₱1,184,578**	₱900,725
AFS financial assets	**4,985,936**	5,049,688
Accrued and other receivables	**35,702**	304,620
	₱6,206,216	₱6,255,033

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

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

	January 1	
	2017	2016

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

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

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

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

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

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

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

19. Miscellaneous

Miscellaneous income consists of the following items:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Penalties	**₱1,970,948**	₱10,140,631	₱2,568,554
Recoveries	**489,776**	4,807,162	1,098,875
Others	**33,823**	71,629	345,662
	₱2,494,547	₱15,019,422	₱4,013,091

Miscellaneous expenses consist of the following items:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Communication	**₱488,559**	₱2,289,744	₱608,871
Insurance	**471,258**	2,425,303	463,108
Stationeries and supplies	**469,058**	1,852,574	416,245
Repairs and maintenance	**376,811**	1,147,845	193,176
Meetings and conferences	**56,403**	300,172	76,056
Training and development	**40,787**	141,108	42,750
Others	**983,330**	1,871,755	36,733
	₱2,886,206	₱10,028,501	₱1,836,939

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

20. Income Taxes

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

The components of the Company's income tax expense (benefit) for the years ended March 31, 2018, December 31, 2017 and March 31, 2017 follow:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Current:			
MCIT	**P379,719**	₱ 1,897,303	₱ -
RCIT	**-**	-	99,790
Deferred	**(1,001,982)**	(19,796,734)	(641,400)
	(P622,263)	(₱17,899,431)	(₱541,610)

The components of deferred tax assets follow:

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Deferred tax assets on:			
Allowance for impairment and credit losses	**P36,096,611**	₱35,967,611	**₱28,425,042**
Inventory write-down of motorcycle	**23,245,846**	22,372,864	**19,302,690**
NOLCO	18,668,682	18,668,682	**11,135,654**
Accrued expenses	**2,022,466**	2,022,466	**981,160**
Past service cost	**48,352**	48,352	**80,095**
	80,081,957	79,079,975	**59,924,641**
Deferred tax liabilities on:			
Remeasurement gain on defined benefit obligation	**1,253,976**	1,253,976	**1,576,945**
	P78,827,981	₱77,825,999	**₱58,347,696**

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:

<u>NOLCO</u>

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

MCIT

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

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

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Income before income tax	**(₱533,403)**	₱36,499,712	₱5,159,333
Income tax computed at statutory rate (30%)	**(₱160,021)**	10,949,914	₱1,547,800
Additions to (reduction in) income tax resulting from the tax effects of:			
Nondeductible expense	**(462,239)**	4,975,980	(641,400)
Non-deductible interest expense	-	473,585	-
Interest income subjected to final tax and dividend income	-	(1,148,084)	-
Tax exempt income and nontaxable income		(34,674,191)	(1,448,010)
Others	-	1,523,365	-
Effective Income tax benefit	**(₱622,263)**	(₱17,899,431)	(₱541,610)

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.61 million ₱0.61 million and ₱0.24million in March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

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

Forward

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

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

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

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

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

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

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

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

22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

		Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
a.	Net income	**₱5,700,942**	₱54,399,143	₱5,700,942
b.	Weighted average number of outstanding common shares	**223,412,301**	223,412,301	216,462,556
c.	Basic/diluted earnings per share (a/b)	**₱0.03**	₱0.24	₱0.03

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

23. Lease Commitment

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense included under 'Occupancy cost' account in the statements of comprehensive income, incurred in 2017, 2016 and 2015 amounted to ₱16.44 million, ₱14.89 million, and ₱7.14 million, respectively.

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

	Mar-18 (Unaudited)	Dec-17 (Audited)	Mar-17 (Unaudited)
Less than one year	₱9,853,666	₱9,853,666	₱8,836,109
Between one and five years	18,543,031	18,543,031	24,795,708
	₱28,396,697	₱28,396,697	₱33,631,817

24. Notes to Statements of Cash Flows

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

Beginning balance		**₱711,186,458**
Cash flows during the year		
Proceeds from loans payable	**240,696,640**	
Payment of loans payable	**(524,544,208)**	
Non-cash movement	-	**(283,847,568)**
Ending balance		**₱427,338,890**

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

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

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

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and licenses' account in the Company's statement of comprehensive income. Details for March 31, 2018 consist of the following:

Gross receipts tax (GRT)	**1,852,957**
Documentary stamp tax (DST) on loan instruments	**732,534**
License and permit fees	**370,240**
	₱2,955.731

B. Withholding taxes

Details of the withholding taxes as at March 31, 2018 follow:

Expanded withholding taxes	**₱812,069**
Withholding taxes on compensation and benefits	**898,893**
	₱1,710,962

C. Tax Cases

As at March 31, 2018 , the Company has no pending tax court cases.

D. Tax Assessment

As at March 31, 2018, the Company has no pending tax assessment.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
MARCH 31, 2018

	March 2018 (Unaudited)	Dec. 2017 (Audited)	March 2017 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	275.58%	183.67%	96.92%
Debt to equity ratio	92.49%	91.56%	146.65%
Quick ratio	159.89%	166.84%	115.00%
PROFITABILITY RATIOS			
Return on assets (annualized)	0.04%	5.60%	1.98%
Return on equity (annualized)	0.07%	10..73%	4.90%
Net profit margin	24.23%	18.73%	13.39%
ASSET TO EQUITY RATIO	192.41%	191.56%	246.65%
INTEREST RATE COVERAGE RATIO	1.39	1.11	1.56
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	6.21%	5.54%	0.23%
Total receivables to total assets	65.20%	63.55%	69.80%
Total DOSRI receivables to networth	5.78%	3.61%	0.04%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	0.34%	0.34%	0.24%
Honda Motor World, Inc. (HMWI)	0.38%	0.39%	0.31%
Amalgamated Investment Bancorporation (AIB)	0.01%	0.01%	0.02%
MAPI Lending Investors, Inc (MAPILI)	0.14%	0.12%	0.01%

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

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

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

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity

AGING OF RECEIVABLES

AS OF MARCH 31, 2018

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	585,923,955	8,724,042	3,966,295	3,259,956	6,408,420	117,074,699	725,357,367
SUB-TOTAL	**585,923,955**	**8,724,042**	**3,966,295**	**3,259,956**	**6,408,420**	**117,074,699**	**725,357,367**
Less: Allowance for Doubtful Accounts**						120,322,036	**120,322,036**
Net Trade Receivables	**585,923,955**	**8,724,042**	**3,966,295**	**3,259,956**	**6,408,420**	**(3,247,337)**	**605,035,331**
***Principal Value=Gross PN less Unearned Interest and Clients' Equity**							
****Allowance for doubtful accounts is for principal only.**							
CLASSIFICATION	**CURRENT**	**1-30 DAYS**	**31-60 DAYS**	**61-90 DAYS**	**91-180 DAYS**	**> 180 DAYS**	**TOTAL**
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	31,303,410	-	-	-	-	-	31,303,410
SUB-TOTAL	31,303,410	-	-	-	-	-	31,303,410
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	31,303,410	-	-	-	-	-	31,303,410
NET RECEIVABLES	**617,227,365**	**8,724,042**	**3,966,295**	**3,259,956**	**6,408,420**	**(3,247,337)**	**636,338,741**