First Abacus Financial Holdings Corp.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of **FIRST ABACUS FINANCIAL COPORATION** (the "Corporation") on **Thursday, 21 September 2017 at 8:00 A.M**, at La Colina Function Room, The Valle Verde Country Club, Capt. Henry P. Javier, Bo. Oranbo, Pasig City.

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. President's Report and Presentation of 2016 Financial Statements
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on **25 August 2017** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 7:00 a.m. and end promptly at 7:45 a.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign, and send a proxy to the Corporation at Unit 2901A East Tower, PSE Centre, Exchange Road, Pasig City. **All proxies should be received by the Corporation on or before 18 September 2017.** Proxies submitted shall be validated by a Committee of Inspectors on **19 September 2017** at 10:00 o'clock in the morning at Unit 2901A East Tower, PSE Centre, Exchange Road, Pasig City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you (or your proxy) are requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or credit card.

City of Pasig, Metro Manila, 25 August 2017.

ANNA FRANCESCA C. RESPICIO
Assistant Corporate Secretary

RATIONALE FOR AGENDA ITEMS

Agenda Item No. 4. Approval of the Minutes of the Previous Meeting of Stockholders held on 08 September 2016

Copies of the Minutes of the 08 September 2016 Annual Stockholders' Meeting will be made available during the 2016 Annual Stockholders' Meeting. It is likewise currently posted on the Corporation's website (www. http://www.firstabacusfinancial.com.ph) and can be viewed at any time. Stockholders will be asked to approve the Minutes of the 2016 Annual Stockholders' Meeting.

Agenda Item No. 5. Approval of 2016 Operations and Results

A report on the highlights of the financial performance of the Corporation for the year ended 2016 will be presented to the stockholders. The same was reviewed by the Audit Committee and the Board of Directors, and have been audited by the external auditors who declared an unqualified opinion on the Audited Financial Statements (AFS). A summary of the 2016 AFS shall also be presented to the stockholders. Stockholders, after identifying themselves, will be given an opportunity to raise questions regarding the operations and report of the Corporation.

Agenda Item No. 6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting

All actions, proceedings and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management from the date of the Stockholders Meeting held on 08 September 2016 to the date of this meeting shall be presented for confirmation, approval, and ratification. The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business.

Agenda Item No. 7. Election of Directors for 2017 to 2018

The current members of the Board of Directors, as reviewed, qualified and recommended by the Nomination Committee, have been nominated for re-election. Their proven expertise and qualifications, based on current regulatory standards and the Corporation's own criteria, will help sustain the Company's solid performance that will result to its stockholders' benefit. The profiles of the Directors are available in the Company website as well as in this Information Statement. If elected, they shall serve as such for one (1) year from 21 September 2017 or until their successors shall have been duly elected and qualified.

Agenda Item No. 9. Appointment of External Auditors

The Audit Committee has pre-screened and recommended, and the Board has endorsed for consideration of the stockholders, the re-appointment of Punongbayan & Araullo as the Corporation's External Auditor for 2017-2018. Punongbayan & Araullo is one of the most reputable auditing firms in the country and is duly accredited by the Securities and Exchange Commission. The stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2017.

PROXY FORM

The undersigned stockholder of First Abacus Financial Holdings Corporation (the "Company") hereby appoints ______________________ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on 21 September 2017 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.

____ 1.1. Vote for all nominees listed below:

- 1.1.1.1. Paulino S. Soo
- 1.1.1.2. Jack T. Huang
- 1.1.1.3. Vicente Co Chien Jr.
- 1.1.1.4. Jimmy S. Soo
- 1.1.1.5. Maria Cristina B. Encarnacion
- 1.1.1.6. Ma. Theresa G. Santos (Independent Director)
- 1.1.1.7. Jimmy Chua Alabanza (Independent Director)

____ 1.2. Withhold authority for all nominees listed above

____ 1.3 Withhold authority to vote for the nominees listed below:

_________________ _________________

_________________ _________________

2. Approval of minutes of previous Annual Stockholders' Meeting.

___ Yes ___ No ___ Abstain

3. Approval of 2016 Operations and Results

___ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from date of last Stockholders' Meeting to 21 September 2017.

___ Yes ___ No ___ Abstain

5. Election of Punongbayan & Araullo as external auditor.

___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.

___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder /
Authorized Signatory

____
Date

THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY AT LEAST TEN (10) DAYSBEFORE THE DATE SET FOR THE ANNUAL MEETING AS PROVIDED IN THE BY-LAWS.

SECURITIES AND EXCHANGE COMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **FIRST ABACUS FINANCIAL HOLDINGS CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **METRO MANILA**

4. SEC Identification Number: **AS094-001420**

5. BIR Tax Identification No.: **043-003-507-219**

6. Address of Principal Office: **Unit 2901A East Tower, PSE Centre, Exchange Road, Pasig City**

7. Registrant's telephone number, including area code: **(+632) 667-8900**

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

   Date - **21 September 2017**
   Time - **8:00 AM**
   Place - **La Colina Function Room**
   The Valle Verde Country Club
   Capt. Henry P. Javier, Bo. Oranbo
   Pasig City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **30 August 2017**

10. Securities registered pursuant to Sections 8 and 12 of the Code

Title of Each Class	Number of Shares of Common Stock Outstanding as of June 30, 2017
Common stock, ₱1.00 par value	1,193,200,000

11. Are any or all of these securities listed on a stock exchange

    Yes (X) No ( )

    If yes, disclose the name of such Stock Exchange and Class of Securities listed therein:
    Philippine Stock Exchange **Common Stock**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

GENERAL INFORMATION

Date, time and place of meeting of security holders:

A.	Date and Day	:	21 September 2017, Thursday
	Time	:	8:00 AM
	Place	:	La Colina Function Room The Valle Verde Country Club Capt. Henry P. Javier, Bo. Oranbo Pasig City

B. The approximate date on which this Information Statement will be sent or given to security holders is on **30 August 2017 (Wednesday).**

The complete mailing address of First Abacus Financial Holdings Corporation (referred to herein alternatively as the "Registrant", the "Company" or the "Corporation") is Unit E-2901A East Tower, PSE Center, Exchange Road, Ortigas Complex, Pasig City.

Dissenters' Appraisal Right

The Corporation Code of the Philippines, specifically Sections 42 and 81 thereof, gives to a dissenting stockholder who votes against certain corporate actions specified by law, the right to demand payment of the fair market value of their shares, commonly referred to as Appraisal Right.

The following are the instances provided by law when dissenting stockholders can exercise their Appraisal Right:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

3. In case the Company decides to invest its Funds in another corporation or business outside of its primary purpose; and

4. In case of merger or consolidation.

Under Section 82 of the Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. However, failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (3) days after such award is made, provided that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment, and that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There is no matter or item to be submitted to a vote or acted upon in the annual stockholders' meeting of the Company which falls under the instances provided by law when dissenting stockholders can exercise their Appraisal Right.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the present directors and officers, nominees for election as director of the Company and any associates thereof has any substantial interest, direct or indirect, in any matter to be acted upon, other than their election as director for the year 2017-2018.

None of the directors of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

A. Voting Securities and Principal Holders Thereof

Number of Shares Outstanding

The Company has 1,193,200,000 outstanding common shares as of **31 July 2017**. A total of 1,141,530,200 common shares were issued to Filipino stockholders and 51,669,800 common shares were issued to foreign stockholders.

Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.

Record Date

The record date fixed for determining the stockholders entitled to notice of and to vote during the annual stockholders' meeting is on **25 August 2017.**

Voting Rights

During the annual stockholders' meeting, stockholders shall be entitled to elect seven (7) directors. In accordance with Section 24 of the Corporation Code, each stockholder may vote such number of shares for as many as seven (7) persons he or she may choose to be elected from the list of nominees, or he or she may cumulate said shares and give one candidate as many votes as the number of his or her shares multiplied by seven (7) shall equal, or he or she may distribute his or her votes on the same principle among as many candidates as he or she shall see fit, provided that the total number of votes cast shall not exceed the number of shares owned by him or her multiplied by seven (7).

Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Beneficial Owners

As of **31 July 2017,** the Company knows of no one who beneficially owns more than 5% of its common stock except as set forth in the table below:

Securities and Principal Holders

CLASS	NAME & ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME & ADDRESS OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES	% HELD
Common	PCD Nominee Corp.(Filipino)* 2nd Floor Makati Stock Exchange, Ayala Avenue, Makati City; stockholder		Filipino	845,281,000	70.84
Common	Paulino S. Soo Chairman and President of Issuer 29th Floor East Tower, PSE Center, Exchange Road, Pasig City;	(same as record owner)	Filipino	133,000,000	11.15

PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of the Philippine Central Depository Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants, who hold the shares in their behalf or on behalf of their clients. No single PCD participant currently owns more than 5% of the Corporation's shares forming part of the PCDNC account except **Abacus Securities Corporation., the beneficial owner of 604,085,000.00 common shares of the Corporation, equivalent to about 50.63% of the Corporation's outstanding capital stock and **Quality Investments & Securities**, the beneficial owner of 94,358,000.00 common shares of the Corporation equivalent to about 7.91% of the Corporation's outstanding capital stock.*

2. Security Ownership of Directors and Executive Officers

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 31 July 2017:

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP[record (r) or beneficial (b)]		CITIZENSHIP	% OF CLASS
Common	Paulino S. Soo 29th Floor East Tower, PSE Center, Exchange Road, Pasig City	133,000,000	r/b	Filipino	11.15
Common	Jack T. Huang 29th Floor East Tower, PSE Center, Exchange Road, Pasig City	500,000	r/b	Filipino	0.04
Common	Jimmy S. Soo 5th Floor Sage House V.A. Rufino St., Legaspi Village, Makati City	10,010,000	r/b	Filipino	0.84
Common	Vicente Co Chien, Jr. 555 Muello de Binondo, Manila	6,130,000	r/b	Filipino	0.51
Common	Ms. Maria Cristina B. Encarnacion 2008 Madison Suites, Pioneer Highlands, Mandaluyong City	10,000	r/b	Filipino	0.00
Common	Ma. Theresa G. Santos 29th Floor East Tower, PSE Center, Exchange Road, Pasig City	10,000	r/b	Filipino	0.00
Common	Jimmy Chua Alabanza 29th Floor East Tower, PSE Center, Exchange Road, Pasig City	10,000	r/b	Filipino	0.00
Common	A. Bayani K. Tan Tan Venturanza Valdez Law Offices 27th Floor East Tower, PSE Center, Pasig City	100,000	r/b	Filipino	0.00
Common	All directors and executive officers as group	149,760,000	r/b	Filipino	12.55

3. Voting Trust Holders of 5% or More

The Company is not aware of any party holding any voting trust or similar arrangement for 5% or more of the Company's voting securities.

4. Changes in Control

The Company is not aware of any arrangements that may result in a change of control of the Company. There have been no changes in control since the beginning of the last fiscal year.

B. Directors and Executive Officers

Director, Executive Officers, Promoters and Control Persons

The following are the incumbent directors and executive officers of the Company:

Name	Age	Office	Period of Service	Citizenship
Paulino S. Soo	66	Chairman /CEO	1994 to present	Filipino
Jack T. Huang	63	President/ Director	1995 to present	Filipino
Vicente Co Chien, Jr.	62	Treasurer/ Director	1995 to present	Filipino
Jimmy S. Soo	59	Director	1995 to present	Filipino
Ma. Theresa G. Santos	60	Independent Director	2006 to present	Filipino
Jimmy Chua Alabanza	72	Independent Director	2008 to present	Filipino
A. Bayani K. Tan	61	Corporate Secretary	Director 1995 to present Corp. Sec. 1994 to present	Filipino
Anna Francesca C. Respicio	31	Assistant Corporate Secretary	2013 to present	Filipino

Board of Directors

The present members of the Board of Directors ("BOD") were elected during the annual stockholders' meeting held on 08 September 2016. The term of the current members of the BOD shall be until the next stockholders' meeting on 21 September 2017.

Upon recommendation of the Company's Nomination Committee as required by the Company's Manual of Corporate Governance, the following persons are nominated for election as directors for the year 2017-2018, to hold office as such for one year or until their successors shall have been duly elected and qualified. Their respective backgrounds indicating their business experiences over the past five years are likewise provided below:

Mr. Paulino S. Soo

Mr. Soo holds a Master in Business Administration degree from the University of Pittsburgh Graduate School of Business and Bachelor of Science degree in Industrial Management Engineering from the De La Salle College. He is the President of Philippine Gaming Management Corporation, Berjaya Pizza Phils. Inc., Perdana Land Philippines Inc., Perdana Hotel Philippines Inc., Cosway Philippines Inc., and Bagan Resources PTE Inc.

Mr. Soo is a Director of Berjaya Auto Philippines Inc, Friendster Philippines Inc., Uniwiz Trade Sales Inc., and MOL Accessportal Inc. He is the Treasurer of Kailash PMN Management Corporation.

He is Chairman of Abacus Securities Corporation and Abacus Capital & Investment Corporation (1994-present), and Vista Holdings Corporation (1994 - present)

Mr. Jack T. Huang

Mr. Huang is the incumbent President of the Company. He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He is concurrently a director of Abacus Capital & Investment Corporation (1995-present) and Abacus Securities Corporation (1995-present). He is the President of Cebu Business Continuos Forms.(1994-present).

Mr. Vicente Co Chien, Jr.

Mr. Co Chien is the Treasurer of the Corporation. He holds a Bachelor's degree in Business Economics from Hongkong Shue Yan University. He is the President of South Sea Realty and Development Corporation and Providence HealthCare Consultants (1999-present). He is concurrently director of Abacus Capital and Investment Corporation (1995-present), Abacus Securities Corporation (1995-present), Vista Holdings Corporation (1995-present). He is director of JWC Manpower Resources, Inc., Globalbridge Resources Corporation and Oro Peak Inc.

Mr. Jimmy S. Soo

Mr. Soo is a Director of the Company. He obtained his Bachelor of Laws degree from the University of the Philippines and was admitted to the Philippine Bar in 1985. He is the Managing Partner of Soo Gutierrez Leogardo and Lee Law Offices (1992-present). He is currently the Corporate Secretary and a Director of Abacus Capital & Investment Corporation (1995-present) and Vista Holdings Corporation. He is also a Director of Berjaya Pizza Philippines, Inc. He is also an Executive Officer, and/or Director and/or Corporate Secretary of various companies.

Ms. Maria Cristina B. Encarnacion

Ms. Maria Cristina B. Encarnacion, 60, Filipino, has been nominated for election as a director of the Corporation in the 2017 Annual Stockholders' Meeting. She has been Chairman and President of Where At Freezines, Inc. since 2010. She is an Editor and/or Writer, and Contributor of several lifestyle books. She is Editor of WhereAt Cebu, and a Contributor to Metro Society and lifestyle publications. She has been a Director of Asiaphil Manufacturing industries, Inc. since 1980, and was Chairman from 1993 to 2008. She was Governor of the Society of Philippine Electrical Contractors & Suppliers, Inc. (SPECS) from 1990-2002, and was Executive Vice President of SPECS in 2002. She was Secretary General of the ASEAN Federation of Electrical Engineering Contractors from 2004 to 2007. Ms. Encarnacion recevied her Bachelor of Science (Statistics) degree from the University of the Philippines, Diliman (1978).

Independent Directors

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's By-Laws adopting the requirement on the nomination and election of independent directors. In line with this, Ms. Ma. Therese G. Santos and Mr. Jimmy Chua Alabanza were elected as the Company's independent directors. The Company's By-Laws were amended last 2005 January 14 to provide for the procedures for the nomination and election of independent directors.

In compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors (SEC Memorandum Circular No. 16, Series of 2002), the Nomination Committee (composed of Messrs. Paulino S. Soo [Chairman], Jimmy S. Soo, and Jack T. Huang) endorsed the respective nominations given in favor of Ms. Ma. Therese G. Santos (by Mr. Vicente Co Chien, Jr.) and Mr. Jimmy Chua Alabanza (by Atty. A. Bayani K. Tan. None of the nominees for independent directors are related to any member of the Board of Directors of the Company.

Ms. Ma Therese G. Santos

Ms. Ma. Therese G. Santos is an incumbent independent director of the Company. She is also the Chairman of the Audit Committee and an Independent Director of Crown Asia Chemicals Corporation (2015-present). She is also currently the Independent Director of Insular Life Home Credit Corporation. Ms. Santos is also a director and shareholder of Gravitas Prime Inc. since 2007. She is also the treasurer and a trustee of UP, High, Preparatory, Elementary, and Integrated School Alumni Foundation since 2005. Ms. Santos has been an independent Management Consultant by profession since 1997. She was the former Vice President for Treasury and Administration of Music Corporation (1995-1996). Ms. Santos was the Director of Finance for United Development Corporation (1991-1993). Ms. Santos received a Bachelor of Science Degree in Chemical Engineering from the University of the Philippines, an MBA from the same school where she graduated in the top 10 of her class and was on the dean’s list.

Mr. Jimmy Chua Alabanza

Mr. Jimmy Chua Alabanza, is an incumbent independent director of the Corporation. He is currently the Chairman of Insular Construction and Supply Co. (1967-present) and a Consultant of Seaboard Insurance Company (1990-present). He received a Bachelor of Science Degree in Management from the Ateneo de Manila University in 1967.

Principal Officers

Atty. A. Bayani K. Tan

Atty. A. Bayani K. Tan, 61, Filipino, is the Corporate Secretary of the Corporation (since May 1994, Publicly Listed). He is also a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (since May 1994, Publicly Listed), Coal Asia Holdings, Inc. (since July 2012, Publicly-Listed), Discovery World Corporation (since March 2013 as Director, since July 2003 as Corporate Secretary, Publicly-Listed), I-Remit, Inc. (since May 2007, Publicly-Listed), Pacific Online Systems Corporation (since May 2007, Publicly-Listed), Philequity Dividend Yield Fund, Inc. (since January 2013), Philequity Dollar Income Fund, Inc. (since March 1999), Philequity Fund, Inc. (since June 1997), Philequity Peso Bond Fund, Inc. (since June 2000), Philequity PSE Index Fund, Inc. (since February 1999), Premium Leisure Corporation (since December 1993, Publicly-Listed), TKC Metals Corporation (since February 2007, Publicly-Listed), Tagaytay Highlands International Golf Club, Inc. (since November 1993), Tagaytay Midlands Golf Club, Inc. (since June 1997), The Country Club at Tagaytay Highlands, Inc. (since August 1995), The Spa and Lodge at Tagaytay Highlands, Inc. (since December 1999) and Vantage Equities, Inc. (since January 1993, Publicly-Listed). Mr. Tan is also a Director and the Corporate Secretary of Sterling Bank of Asia Inc. (since December 2006). He is the Managing Partner of the law offices of Tan Venturanza Valdez (since it was established in 1988), Managing Director/President of Shamrock Development Corporation (since May 1988), Director of Destiny LendFund, Inc. (since December 2005), Pascual Laboratories, Inc. (since March 2014), and Pure Energy Holdings Corporation (since October 2016), President of Catarman Chamber Elementary School Foundation, Inc. (since August 2012), Managing Trustee of SCTan Foundation, Inc. (since 1986), Trustee and Treasurer of Rebisco Foundation, Inc. (since April 2013) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (since February 2011).

Atty. Tan holds a Master of Laws degree from New York University (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Atty. Anna Francesca C. Respicio

Atty. Respicio is the incumbent Assistant Corporate Secretary of First Abacus Financial Holdings Corporation. She is concurrently the Corporate Secretary of I-Remit, Inc., Discovery World Corporation Luckyfortune Business Ventures, Inc., and Raemulan Lands, Inc. She is also the Assistant Corporate Secretary of the following listed and registered companies: A Brown Company, Inc., Sterling Bank of Asia, Inc. (A Savings Bank), Tagaytay Highlands International Golf Club, Inc., and The Spa and Lodge at Tagaytay Highlands, Inc.,

Atty. Respicio is a Senior Associate at Tan Venturanza Valdez. She finished her Bachelor of Arts-Major in Philosophy in 2007 and earned her Juris Doctor degree in 2011 at Ateneo de Manila University.

Significant Employees

The Company has no significant employees.

Family Relationships

Paulino S. Soo and Jimmy S. Soo are brothers. No other family relationships are known to the registrant aside from Mr. Paulino Soo and Jimmy Soo.

Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., some of its members initiated a Complaint for Estafa (I.S. No. 08K-19713) against ULC, the Universal Rightfield Property Holdings, Inc. and the Universal Leisure Corp., as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, the current Corporate Secretary of the Corporation. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed motion for reconsideration for which reason, among others, the OCP denied motion on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said Petition. In a Resolution dated April 17, 2015, the Petition for Review was denied and the DOJ dismissed the complaint for Estafa.

Except as provided above, the Corporation is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,

(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic of foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

Certain Relationships and Related Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

The significant transactions of the Company in the normal course of business with related parties are described below:

The summary of the Company's significant transactions with its related parties are as follows:

a. Granting (collection) and obtaining (payment) of Advances

The Company grants to and obtains advances from its related parties for its daily and transaction requirements. These advances have a maturity of 30 – 60 days after the reporting dates and earn interest at ranging from 3.45% to 3.85% or based on prevailing interest rate charged by our banks.

The Group grants unsecured interest bearing loans to employees with interest bearing ranging from 12% - 12.50% in 2016, 2015 and 2014. Receivables from employees are presented as part of Accounts Receivables account under Receivables in the consolidated statements of financial position

b. Management Fees

The Company earns management fees from Philippine Gaming Management Corporation (PGMC, an entity under common key management personnel) by virtue of the Management Service Agreement between the Group and PGMC. A key management personnel of the Company is a director of PGMC.

Management fees amounted to ₱40,000,000 for 2016, 2015, and 2014 are presented as Management Fees in the consolidated statements of profit and loss. Management fees receivables are unsecured, non-interest bearing and payable in cash upon demand.

Please refer to Notes 2.16 and 11 of the Consolidated Financial Statements for the detailed discussion on the Certain Relationships and Related Transactions.

Aside from the above, there are no other material related party transactions that will significantly affect the financial statements of the Company and its subsidiaries.

There are no transactions with any promoter nor are there any assets to be acquired from a promoter. Company has no parent.

Disagreement with Director

None of the Company's directors has resigned or declined to stand for re-election to the board of directors since the last annual stockholders' meeting of the security holders because of a disagreement with the Company or any matter relating to the Company's operations, policies or practices.

Compensation of Executive Officers and Directors

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2016 and 2015, as well as compensation to be paid in the ensuing fiscal year 2017, to the company's Chief Executive Officer and four (4) most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

Name and Principal Function	Fiscal Year*	Salary	Bonus	Other Annual Compensation
Paulino S. Soo Chairman and CEO	2015 2016 2017			
Jack T. Huang President	2015 2016 2017			
Schubert Caesar C. Austero VicePresident-HRD-CSG	2015 2016 2017			
Sheila Marie Aguilar Vice President- Operations	2015 2016 2017			
Melanio C. Dela Cruz Vice President- Finance	2015 2016 2017			
Total for the Group	2015 2016 2017	7,465,963 7,589,913 7,746,074	1,796,760 1,921,785 2,630,560	-0- -0- -0-
All Officers as a Group Unnamed	2015 2016 2017	8,626,817 8,690,709 8,995,678	2,148,338 2,330,199 3,125,268	-0- -0- -0-

* The figures indicated for Fiscal Year 2017 are mere estimates.

Except as provided above, there are no standard arrangements, employment contracts or any other arrangements by which the directors and officers of the Company receive compensation. In addition, there are no compensatory plans or arrangement with respect to named executive officers that resulted in or will result from the resignation, retirement or termination of such executive director or from a change-in-control in the Company.

The directors do not receive any compensation or per diem for each Board meeting. The Company only distributes directors' fee amounting to ₱100,000.00 annually for each director.

There is no outstanding price or stock warrants or options held by the Company's officers and directors.

Independent Public Accountants

The auditing firm of Punongbayan & Araullo ('Punongbayan') will be nominated and recommended to stockholders for reappointment as external auditor for the year 2017-2018. Representatives of the said firm are expected to be present at the upcoming Annual Stockholders' Meeting to respond to appropriate questions and to make a statement if they so desire.

Over the past five (5) years, there was no event where Punongbayan and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

In compliance with Rule 68 (3)(b)(iv) of the Securities Regulation Code, the assignment of engagement partner for the Company shall not exceed five (5) consecutive years. Mr. Romualdo V. Murcia, the engagement partner of the Company and our subsidiaries has commenced in the calendar year 2013. For the ensuing year 2017, Punongbayan and Araullo will be re-nominated as the Company's external auditor with Mr. Romualdo V. Murcia will be the engagement partner.

Changes in and Disagreements with Accountants on Accounting or Financial Disclosure

No independent accountants have resigned, were dismissed or otherwise ceased performing services during the two most recent fiscal years or any subsequent interim period.

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

The audit and audit-related fees paid by the Company in the last two (2) years are as follows:

	2016	**2015**
A. Audit and Audit-related Fees		
1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements.	**₱2,150,000**	₱2,150,000
2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements	-0-	-0-
B. Tax fees	-0-	-0-
C. All other fees	-0-	-0-

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee composed of Ms. Ma. Therese G. Santos as Chairman and Messrs. Vicente Co Chien, Jr, Jack T. Huang, Atty. Jimmy S. Soo and Paulino S. Soo as members. Engagement Agreements are executed for every type of engagement, which provides for the scope of the work, timetable, fees, engagement team, etc. for each project.

OTHER MATTERS

Action with Respect to Reports

The following are to be proposed for approval during the Annual Stockholders' Meeting:

1. Approval of the Minutes of the Previous Meeting of Stockholders
2. President's Report and Presentation of Financial Statements
3. Ratification of all Acts of the Board of Directors and Officers
4. Appoint an External Auditor
5. Election of Directors
6. Other Matters

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

1. Election of Board Committee Members
2. Appointment of Principal Officers at the Organizational Board Meeting;
3. Amendment of Authorized Bank Signatories and
4. Approval of Financial Reports;

Management reports which summarize the acts of management for the year 2016 are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Approval of the Management Report will constitute approval and ratification of the acts of Management and of the Board of Directors for the past year.

Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

Amendment of Charter, By-Laws or Other Documents

There are no matters to be voted upon by the stockholders of the Company pertaining to any amendment of the Company Charter, By-laws and other documents.

Other Proposed Action

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business.

Voting Procedures

a. Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

b. Three inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting in September 2017, the Corporate Secretary and/or his representative together with the

Audit Partner of the External Auditor and/or his representative, have been designated as inspectors who have been tasked to oversee the counting of votes.

c. Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.

d. The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce.*

e. With respect to the election of seven (7) directors, each stockholder may vote such number of shares for as many as seven (7) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by seven (7).

f. Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with.

Omitted Items

Items 9, 10, 11, 12, 13, and 14 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. Pursuant to the requirement of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized in the City of Pasig on 14 August 2017.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION

By:

PAULINO S. SOO
Chairman

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
ANNUAL REPORT

General Nature and Scope of Business

First Abacus Financial Holdings (FAFHC) traces its roots from the Seven Seas Oil Exploration and Resources, Inc. (SSOERI). Seven Seas was incorporated on February 15, 1994 and became a publicly listed company on November 21, 1994. It was primary engaged in the business of oil exploration and development. Presently, FAFHC is engaged in, through its wholly subsidiaries, stockbroking activities, investment banking, real estate business and other financial services.

Realizing that the local capital and equities markets have a pivotal role in the long-term development of the national economy, the board of directors decided to change SSOERIS's primary purpose from being an oil exploration company into a financial holding company. Thus, on October 26, 1996, the SSOERI's stockholders approved the recommendations of the board to transform the firm. Consequently, on January 25, 1996, the Securities and Exchange Commission (SEC) approved the Company's change of name from Seven Seas Oil Exploration and Resources, Inc. to First Abacus Financial Holdings Corporation. The SEC likewise approved on January 25, 1996 the change on par value of FAFHC's capital stock from Php0.01 to Php 1.00 a share to remove the issue's speculative characteristic and reflect the stock's shift into a full-fledged commercial/industrial issue.

The Company's first strategic corporate re-alignment move was to acquire the Abacus Capital & Investment Corporation (ACIC)- an operating investment house- via a cash and stock swap. ACIC effectively became a wholly owned subsidiary. ACIC, in turn, owned 100% of Abacus Securities Corporation (ASC), one of the leading members of the Philippine Stock Exchange, and Vista Holdings Corporation (VHC), a real estate holding company.

The Company, through ASC, also acquired 25% of Prosperity Properties and Management Corporation (PPMC), used to own a 16-storey building at the Ayala Business Park in Cebu City. In 1996, the Company acquired from its subsidiaries – ACIC and ASC- interests in VHC and PPMC. This resulted in a direct investment in these companies. In 1999, upon approval by the Securities and Exchange Commission of the increase in authorized capital stock of ASC from Php50 million divided into 500,000 shares with a par value of Php100 per share to Php400 million divided into 4 million shares with Php100 par value per share, the Company subscribed to 3.5 million shares representing 87.525% ownership interest. The remaining 12.475% remained with ACIC. Accordingly, the Company's ownership over ASC was changed from 100% indirect to 87.525% direct and 12.475% indirect.

On December 18, 2002, the Board of Directors approved the conversion of advances to Abacus Capital & Investment Corporation (ACIC) as deposit for future stock subscription amounting to Php100,000,000.00. In 2008, the Company applied P90,000,000.00 of its deposit for future stock subscription to paid in capital as payment for the remaining subscriptions for the same amount.

<u>Subsidiaries</u>

Abacus Capital and Investment Corp(ACIC). ACIC was incorporated on January 6, 1995. ACIC is engaged in investment banking activities, management services, and treasury and other financial services.

Abacus Securities Corporation(ASC). ASC was incorporated on December 27, 1991. A member of the Philippine Stock Exchange, ASC is engaged in stock brokering services. It engages in buying and selling stocks in Philippine stock market for the accounts of the clients as a broker and for its own account as a dealer.

Vista Holdings Corporation(VHC). VHC was incorporated on January 21, 1993. Presently, Vista Holdings Corporation is engaged in buying and leasing out condo units primarily to its affiliated companies.

FAFHC’s Vision

FAFHC’s vision is to provide best value integrated financial services to its clients. In the process, Filipinos from all walks of life are enabled to become a part of the capital and equities market. Toward this end, progress and prosperity have stronger prospects of being shared by all.

Abacus Capital and Investment Corporation (ACIC)

ACIC is financially secure, with capital resources of over 400 million; complemented by a core of investment managers providing highly ethical, professional, and client-oriented investment management services.

ACIC provides the following financial services:

a) Corporate Finance

   Equity Underwriting Transactions
   - Initial Public Offerings
   - Stock Rights Offerings
   - New Tranche Offerings
   - Private Placements of Listed Companies

   Financial Advisory
   - Share or corporate acquisitions, Buy-Ins/Mergers/Divestments
   - Financial review and Restructuring
   - Project Development

   Debt Underwriting and Loan Arrangements
   - Short, Medium, or Long Term Loan Arrangements
   - Short and Long Term Commercial Papers Underwriting
   - On-going oversight, issue management, agency functions

b) Treasury sales
   - Government Securities
   - Treasury Bills
   - Long and Short Term Commercial Papers
   - Preferred Notes
   - Promissory Notes
   - Money Market Placements`

c) Financing
   - Share Margin
   - Working Capital Credit Facilities

Abacus Securities Corporation (ASC)

Due to its commitment for quality service, ASC was awarded the Best Local Brokerage House in the Philippines Award from 1990-2008 granted by the Asiamoney.

ASC was the recipient of the Best Securities House in the Philippines Award granted by the EuroMoney International Awards for Excellence for the past two consecutive years, 1998 and 1999. Likewise, the Fund Managers Association of the Philippines honored ASC with a number of citations including Best in Institutional Sales/ Execution and in Settlements in 1998. The awards put ASC in an enviable position as it proved that local stockbrokerages could prove equal to international stockbroker houses.

ASC started operations in March 1992. In five years, ASC established itself as a top Filipino brokerage firm in PSE. The key factors for ASC's successes are: professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

All these resulted in a strong retail franchise, a top tier domestic institutional sales organization, and growing foreign institutional sales based. Thus, ASC is now positioned to best serve the expanding domestic equities market. Strategically located branches in Binondo, Cebu and Davao support ASC's Head Office operations.

Abacus Securities Corporation was the second ranking stock brokerage house among the top ten PSE brokers. In the past years, the large foreign stockbrokerage houses dominated the top ten list of brokers. ASC believes that it can effectively compete with other brokers because of its strong sales groups, the Retail and Institutional Teams. At present, the firm has one of the most extensive based of retail clients driven by the number of branches established and envisioned to be established. Its Institutional Sales Team, on the other hand, has managed to obtain accreditation and establish active working relationships with a number of domestic institutional investors and foreign fund management companies. ASC also has a Research Group that comes out with action-driven reports and recommendations, a quality admired by most of its clients, and even the other stockbrokers. The registrant has an excellent customer service to service its clients. The company established a website to keep its clients abreast of the new developments in stock market.

For the year ended 2015, Abacus Securities Corporation ranked 20th in terms of total value traded.

Vista Holdings Corporation (VHC)

The primary purpose of the Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell (without engaging in retail trade), assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description.

VHC continues with its investment program through the acquisition of condominium units. At present, VHC leases its condominium units its affiliated companies.

Vista is not involved in real estate development. VHC continues to lease its condominium units to its affiliates.

DIRECTORS AND EXECUTIVE OFFICERS.

The list of directors and executive officers of the Company are found on pages 5-8 of the Information Statement (SEC Form 20-IS) to which this report is attached.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2016

General Business Environment

Although the Philippines was rated the fastest growing economy in Southeast Asia for the year 2016 and ended the year with a 6.8% GDP growth, lingering political concerns continued to dampen the investing climate. As in the past, the drivers of growth were the steady inflow of remittances from overseas Filipino workers, a stable monetary policy, increased government spending on infrastructure and social protection, and rising employment rates courtesy of the construction and IT-BPO industries. The good news, however, was muted by a general slump in the agricultural sector due to natural causes such as a lingering El Nino and the visitation of a super typhoon, the generally lackluster performance of the export sector, and controversies brought about by the government's drug war and alleged extra judicial killings. These concerns spooked the Philippine capital market and the Philippine Stock Exchange rode the ups and downs of the political environment, experiencing extreme volatility throughout the year, but eventually closing the year at about the same level as it started.

Performance of the Company

The Company's performance for the year was greatly affected by the volatilities in the capital market. The Company's finance income for 2016 reached Php230 million, representing an increase of Php55 million from the Php175 million it made in 2015. The increase in finance income was brought about by the additional gain realized on the sale of group's investments in financial assets amounting to Php150.2 million, further helped by the valuation gains recorded on the group's financial assets amounting to Php79 million at yearend. Management fees recorded during the year was comparable to last year, reaching Php40 million. Moreover, the Company's brokerage business reported a slight increase in total commissions during the year from Php141.3 million to Php145.1 million. On the other hand, the Company's investment house posted a drop in revenues for the year with Php4.6 million as compared to the Php9.6 million made on the previous year. All considered, consolidated revenues for the year stood at Php416 million, an increase of Php48 million from last year's Php368 million.

However, total costs and expenses for the year was noted at Php404.5million, representing an increase of Php35 million from last year's Php368.9 million. The increase in total costs and expenses was brought about by increased debt servicing during the year amounting to Php217 million, up from last year's Php184 million. Debt servicing continued to comprise a large chunk of the operating expenses in keeping with the Company's commitment to honor its obligations.

In summary, the company is reporting a consolidated net loss of Php3.5 million for the year as compared to the consolidated net income of Php3.1 million from the previous year.

There was an increase in total assets noted for the year amounting to Php745 million, from Php5,311 million in December 2015 to Php6,056 million in December 2016. The Php487 million increase in total assets was brought about by the increase in the group's accounts receivable from last year's Php1,789 million to this year's Php2,277 million, and net increase in financial assets at fair value through profit and loss amounting to Php255, partially offset by the net decrease in available for sale financial assets amounting to Php92.6 million.

A corresponding increase in total liabilities amounting to Php619 million was also noted during the period under review bringing total liabilities from Php3,189 million to Php3,808 million due to increases in short term borrowings, partially offset by decrease in due to customers and the payments made to non trade customers and short term payables.

The increase in total assets had a direct effect on the group's stockholders equity at the end of the period from last year's Php2,122 million to this year's Php2,248 million. The increase in valuation of available for sale financial assets increases the comprehensive income of the group and revaluation reserves in stockholders equity amounting to Php129.4 million.

The Company marked its 25th year anniversary in 2016. The milestone validated the Company's stature as an enduring company fully committed to fulfilling its vision and mission as a vehicle for prosperity for its various stakeholders. Despite uncertainties in the global and local political environment, the Company remains optimistic about the prospects of the Philippine economy and the local equities market. Consequently, the Company expects better financial performance moving forward on account of continuing efforts to strengthen its core businesses while expanding its service delivery platform. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

FINANCIAL RATIOS (SRC Rule 68, as amended October 2011). The following are the Company's financial soundness indicators in two comparative periods :

			31-Dec 2016	**31-Dec 2015**
CURRENT/LIQUITY RATIO				
	Current Assets / Current Liabilities	=	1.50:1	1.56:1
	Quick Assets / Current Liabilities	=	1.50:1	1.56:1
The ratio is used to give an idea of the company's ability to pay back its short term liabilities with its short term assets.				
DEBT TO EQUITY RATIO	Debt / Equity	=	1.69:1	1.50:1
ASSETS TO EQUITY RATIO	Assets / Equity	=	2.69:1	2.50:1
INTEREST RATE COVERAGE RATIO	Earnings before interest and taxes / Interest expense	=	1.05:1	0.99:1
Interest rate coverage ratio is a measure on how well a company can meet its interest payment obligations.				

2015

General Business Environment

It was a very challenging year for the Philippine economy, the local equities market, and consequently, that of the Company, on account of strong external headwinds that once again tested the overall strength and resilience of the foundations painstakingly built in the last decade.

Amidst a global slowdown, the Philippine economy managed to sustain its growth, posting 5.8% GDP for the full year, slightly down from the 6.1% achieved in 2014. The economy was propped up by strong domestic demand, extraordinary government spending with construction alone leaping to 51% during the last quarter of the year, and one of the lowest inflation rates at 1.1%. Although a drag in net exports were partly offset by better performances from the BPO and Tourism sectors, a confluence of factors such as a global selloff amidst lingering concerns about China's economy, a worsening traffic situation in the Metro, the specter of a prolonged El Nino phenomenon, and apprehensions about the 2016 elections pushed the local equities market closer into bear territory towards the end of the 2015.

The Philippine peso fell in the second half of 2015, and so did the stock market, as global funds fled on account of fears about China and a stronger dollar caused by the tightening of US monetary policy. Towards the end of the year the peso had slumped 5 percent to close at 47.06 a dollar on Dec. 29, 2015. Despite hitting its highest ever at slightly over 8,000 points in April 2015, the Philippine Stock Exchange index shed 3.9% in 2015 ending six years of gains. Foreign investors sold $1.2 billion more shares than they bought in 2015, dragging the PSEi to its first loss since 2008.

Performance of the Company

Conditions in the environment were therefore not favorable for the local equities market, and consequently, for the Company which posted a decline in terms of its overall performance and in its total core revenues for the year under review. Finance income for 2015 stood at Php175.2 million, representing a decline of Php221 million from the Php396.2 million it made in 2014. The decline was exacerbated by the non-recurring gain reported in the previous year. Management fees recorded during the year amounted to Php40 million, which was comparable to the previous year. Expectedly, the brokerage business reported a decline in total commission during the year from Php158.7 to Php150.9 million. All considered, consolidated revenues for the year stood at Php367.7 million, a decrease of Php228.7 million from last year's Php596.4 million. The decrease in total revenues was largely attributed to the lower gain on sale of available for sale financial assets, from Php396.1 million to this year's Php144.4 million, which were included in the finance income during the year.

Total costs and expenses for the year was lower at Php368.9 million, representing a decrease of Php112 million from last year's Php480.9 million. The decrease in total costs and expenses was brought about by the absence of impairment losses recognized this year due to the firm collection efforts made by management. Debt servicing continued to comprise a large chunk of operating expenses in keeping with the company's commitment to honor its obligations.
Notwithstanding the decline across the core revenues, the Company is still proud to report a consolidated net income of Php3.1 million for the year. This represents a significant reduction from the net income of Php110.9 million posted in the previous year, but is also a strong testament to the inherent resilience of the Company.

There was a decrease in total assets noted for the year amounting to Php138.4 million, from Php5,449.4 million in December 2014 to Php5,311 million in December 2015. The decrease in total assets was brought about by the disposal through sale of our available for sale financial assets from last year's Php2.664.8 million to this year Php2,361.5 million, additional collections of our receivables amounting to Php71 million, partially offset by the additional purchases of our financial assets at fair value through profit and loss amounting to Php221 million.

A corresponding increase in total liabilities amounting to Php31 million was also noted during the period under review bringing total liabilities from Php3,158 million to Php3,189 million due to increases in short term borrowings, partially offset by decrease in due to customers and the payments made to non trade customers and short term payables.

There was a decrease also noted in our stockholders equity at the end of the period from last year's Php2,291.2 million to this year's Php2,121.7 million. The decrease in the revaluation reserves of our available for sale financial assets was due to some disposals through sale and the periodic marked to market valuation of the available for sale shares. Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company remains cautiously optimistic about the prospects of the Philippine economy and the local equities market, which will redound to better financial performance of the Company moving forward. The Company will continue to intensify efforts to build a financially sustainable business that will be able to successfully ride the cycles of the market. The Company will continue to maintain an effective balance between managing risks and opportunities, solidifying its niches while continuing to expand market reach through new platforms. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

2014

General Business Environment

Starting the year off with recovery efforts from the previous year's natural disasters, economic growth slowed from 2013's 7.2 per cent to 6.1 per cent - below government targets but still higher than trend growth and the second fastest in Asia, next only to China. The country withstood the external headwinds of the US Fed taper, Euro zone weakness, a slowing China, and uncertainty from global political tensions with a stable banking system, a well-managed currency, improved trade balance, and sustained broad-based growth. This was confirmed by, and led to credit rating upgrades from Moody's and Standard & Poor's during the year to two notches above investment grade and an affirmation of investment grade rating from Fitch Ratings, with the ratings agencies citing the country's greatly improved debt profile, fiscal management, and favorable growth prospects. An improving employment situation contributed to rising incomes and generally positive consumer and business sentiments. However, weak government spending and slightly higher inflation dampened the momentum for economic growth.

The local capital market reflected the same performance, reaping gains from the improvements in the country's economic fundamentals established in previous years, but encountering some resistance and uncertainty along the way. The PSEi climbed steadily during the first half before moving sideways to close at 7,230.57 by the year's end, generating a 23 per cent return. Powered by net foreign buying and supported by the increasing investment appetite of local institutional funds as well as a growing retail trading activity, the Philippines was among the best performing markets in the region during the year.

Performance of the Company

The Company posted significant improvements in terms of its overall performance and in its total core revenues for the year under review. A three-digit 173% increase in finance income was noted - from Php145 million in 2013 to Php396.2 million in 2014. Management fees recorded during the year amounted to Php40 million, up by Php16.9million compared to the Php23.1 million made in the previous year. However, our brokerage house reported a decline in total commission during the year from Php231.1 to Php158.7 million. All considered, consolidated revenues for the year stood at Php596.4 million, an increase of Php196 million from last year's Php401 million. The increase in total revenues was attributed to the additional gain on sale of available for sale financial assets, from Php143.90 million to this year's Php396.1 million, which were included in the finance income during the year.

Total costs and expenses for the year stood at Php480.9million, representing an increase of Php68.7 million from last year's Php412.2 million. The increase in total costs and expenses during the year was brought about by the increase in our finance costs from Php207.8 million to Php283.6 million. Debt servicing comprised a large chunk of operating expenses in keeping with the company's commitment to honor its obligations.

The Company is proud to report a consolidated net income of Php111 million for the year, representing a substantial improvement of Php126.2 million and effectively reversing the Php15.2 million negative income reported in 2013.

There was a decrease in total assets noted for the year amounting to Php143.6 million, from Php5,593 million in December 2013 to Php5,449 million in December 2014. The decrease in total assets was brought about by the disposal through sale and temporary decline in market value of our financial assets at fair value through profit or loss from last year's Php655.8 million to this year Php494.2 million.

A corresponding increase in total liabilities amounting to Php78 million was also noted during the period under review bringing total liabilities from Php3,080 million to Php3,158 million due to increases in short term borrowings, partially offset by increase in due to customers and the payments made to non trade customers and short term payables.

There was a decrease also noted in our stockholders equity at the end of the period from last year's Php2,512.8 million to this year's Php2,291.2 million. The decrease in the revaluation reserves of our available for sale financial assets was due to some disposals through sale and the periodic marked to market valuation of the available for sale shares. Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company remains highly optimistic that its financial performance will continue to be stable moving forward as it continues to intensify efforts to build a financially sustainable business. The Company will continue to maintain an effective balance between managing risks and opportunities, solidifying its niches while continuing to expand market reach through new platforms. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

DISAGREEMENT WITH ACCOUNTANTS

No principal accountant or independent accountants of the Company has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

The Company has no disagreement with its accountant with regard to any matter relating to accounting principles or practices, financial statements disclosure or auditing scope or procedure.

MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY

Market Information

The shares of the Company are listed in and traded on the Philippine Stock Exchange. The high and low closing prices for each quarter within the last two (2) fiscal years are as follows:

Applicable Quarter	2017		2016		2015	
	High	Low	High	Low	High	Low
First Quarter	0.74	0.65	0.84	0.70	0.84	0.70
Second Quarter	0.79	0.69	0.78	0.44	0.78	0.70
Third Quarter	-	-	0.78	0.63	0.74	0.64
Fourth Quarter	-	-	0.75	0.64	0.74	0.64

As of the close of trading hours of 31 July 2017, the price at which the registrant's shares were traded at ₱0.67 per share.

Holders

The number of *common shares* issued and outstanding as of 31 **July, 2017** was 1,193,200,000. As of 31 J**uly 2017**, Registrant had ***108 shareholders***. On the said date, the following were the top 20 shareholders:

	Stockholder	Nationality	No. of Shares	%
1	PCD Nominee Corp. – Filipino	Filipino	845,291,000	70.84
2	Paulino S. Soo	Filipino	133,000,000	11.15
3	Abacus Capital & Investment Corp.	Filipino	59,644,000	4.99
4	ACIC FAO 20001	Filipino	32,361,000	2.71
5	Edgardo Limtong	Filipino	28,527,000	2.39
6	Phee Bon Kang	Malaysian	20,000,000	1.68
7	Vista Holdings Corp.	Filipino	14,095,000	1.18
8	Cecilio Pedro	Filipino	12,260,000	1.03
9	Quality Investment & Securities	Filipino	10,850,000	0.91
10	Jimmy S. Soo	Filipino	10,010,000	0.84
11	Vicente Co Chien Jr.	Filipino	6,130,000	0.51
12	Elizabeth K. Soo	Filipino	6,000,000	0.50
13	Solar Securities, Inc.	Filipino	4,000,000	0.34
14	Abacus Capital & Investment Corp.	Filipino	2,547,000	0.21
15	Uy Louis	Filipino	2,000,000	0.17
16	George Q. Go & Shirley D. Go	Filipino	1,443,000	0.12
17	Jack T. Huang	Filipino	500,000	0.04
18	Quality Invt. & Sec. Corp(001117)	Filipino	500,000	0.04
19	Vicente Co Chien, Jr.	Filipino	400,000	0.03
20	Lim, Francisco	Filipino	304,000	0.03
	Total		1,189,862,000	99.71

Dividends

No dividends, neither in cash nor stock was declared on the shares for the last two (2) fiscal years, i.e., 2016 and 2015. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

Recent Sales of Unregistered or Exempt Securities

No unregistered securities or shares of the Company were sold during the last three (3) years (2017, 2016, and 2015).

CORPORATE GOVERNANCE

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

The Company has been monitoring compliance with SEC Memorandum Circular No.2, Series of 2002, as well as other relevant SEC Circulars and rules on good corporate governance. The Company has already submitted its revised Corporate Governance Manual ("The Revised Manual") to the SEC last 31 May 2017. The Revised Manual maintains the various Board level committees. These Committees were comprised of an Executive Committee, Audit and Risk Oversight Management Committee to assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations, and the Corporate Governance Committee to oversee the implementation of the corporate governance framework including the selection and evaluation of qualifications of directors and officers and to look into an appropriate remuneration system.

All directors, officers, and employees have complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company has complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is unaware of any non-compliance with or deviation from its Manual of Corporate Governance. The Company will continue to monitor compliance with the SEC Rules on Corporate Governance, and shall remain committed in insuring the adoption of other systems and practices of good corporate governance to enhance its value for its shareholders. Retains

FINANCIAL STATEMENTS

Please refer to Annexes "A" and "B" for the Company's audited financial statements as of the period ended 31 December 2016 and the interim financial statements for the first quarter of calendar year 2017, respectively.

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FOR 17-A WITHOUT CHARGE.

ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

THE CORPORATE SECRETARY
FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
Unit 2901-A East Tower, PSE Centre, Exchange Road
Pasig City

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

Date: 25 August 2017

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ABKT\JCN\ACR\RKC 292-236

ANNEX " A "

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JIMMY CHUA ALABANZA,** Filipino, of legal age and a resident of 3/F JAKA 6780 Building, Ayala Avenue, Makati City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of First Abacus Financial Holdings Corporation and have been its independent director since 16 September 2008.

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

Company/Organization	Position/Relationship	Period of Service
Insular Construction and Supply Co.	Chairman	1967 to Present
Seaboard Insurance Company	Consultant	1990 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of First Abacus Financial Holdings Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of First Abacus Financial Holdings Corporation other than relationship provided under Rule 328.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or affiliated with a Government Agency or Government Owned and Controlled Corporation

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

8. I shall inform the Corporate Secretary of First Abacus Financial Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this AUG 2 9 day of 2017 at PASIG CITY.

JIMMY CHUA ALABANZA

SUBSCRIBED AND SWORN to before me this AUG 2 9 2017 day of ____________ at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. 163-751-612 as his Competent Evidence of Identity.

Doc. No. 521;
Page No. 106;
Book No. IV;
Series of 2017

ISAIAH G. SAN MIGUEL
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 105 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No 2853925 / 01.09.2017 / Mandaluyong
IBP No. LRN-013775 / 04.22.16 / PPLM
Roll of Attorneys No. 64234

ANNEX "A-1"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARIE THERESE G. SANTOS**, Filipino, of legal age and a resident of No. 17 East Capitol Drive, Bo Capitolyo, Pasig City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of First Abacus Financial Holdings Corporation and have been its independent director since 28 September 2006.

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

Company/Organization	Position/Relationship	Period of Service
UP High, Preparatory, Elementary, and Integrated School Alumni Foundation	Treasurer/Trustee	2005 to Present
Gravitas Prime Inc.	Director and Shareholder	2007 to Present
Crown Asia Chemicals Corporation	Independent Director and Chairman of Audit Committee	2015 to Present
Insular Life Home Credit Corporation	Independent Director	2016 to Present
Rural Bank of Solano (NV), Inc.	Director	2017

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of First Abacus Financial Holdings Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of First Abacus Financial Holdings Corporation other than relationship provided under Rule 328.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or affiliated with a Government Agency or Government Owned and Controlled Corporation

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

8. I shall inform the Corporate Secretary of First Abacus Financial Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of AUG 2 5 2017 at PASIG CITY.

MARIE THERESE G. SANTOS

SUBSCRIBED AND SWORN to before me this _____ day of AUG 2 5 2017 at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. 123-299-982 as her Competent Evidence of Identity.

Doc. No. 394;
Page No. 70;
Book No. III;
Series of 2017

CARLA MAE E. BADI
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 157 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre, Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No. 2563922 / 01.09.2017 / Mandaluyong
IBP No. 1055710 / 01.03.2017 / RSM
Roll of Attorneys No. 63373

[illegible]

ANNEX "B"

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

SECRETARY'S CERTIFICATE

ANNA FRANCESCA C. RESPICIO, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am the duly elected and incumbent Assistant Corporate Secretary of **FIRST ABACUS FINANCIAL HOLDINGS INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at 2904-A East Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City;

2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

IN ATTESTATION OF THE ABOVE, this Certificate was signed this ____ day of AUG 2 4 2017 2017 in Pasig City.

ANNA FRANCESCA C. RESPICIO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of AUG 2 4 2017 2017 at Pasig City, affiant exhibiting to me her Community Tax Certificate No. 1244576 issued on 16 January 2017 at Manila and her Passport No. P0286448A issued at DFA NCR East, which expires on 15 September 2021 as her competent evidences of identity.

CARLA MAE E. BADI
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 157 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre, Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No. 2553922 / 01.09.2017 / Mandaluyong
IBP No. 1055710 / 01.03.2017 / RSM
Roll of Attorneys No. 63373

Doc. No. 382;
Page No. 79;
Book No. III;
Series of 2017.

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ANNEX "C"

Financial Statements and
Independent Auditors' Report

First Abacus Financial Holdings Corporation and Subsidiaries

December 31, 2016, 2015 and 2014

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Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

The Board of Directors and the Stockholders
First Abacus Financial Holdings Corporation
Unit 2904-A East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Opinion

We have audited the consolidated financial statements of First Abacus Financial Holdings Corporation and subsidiaries (together hereinafter referred to as the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 audits of the consolidated 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.

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Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group has accumulated deficit of P534,972,178 and P531,448,890 as of December 31, 2016 and 2015, respectively. The accumulation of significant deficit indicates the existence of a material uncertainty, which may cast significant doubt on the Group's ability to continue as a going concern. Management is fully confident, however, that the inherent strengths and potentials of the Group and, consequently, its ability to recover from the deficit incurred will be fully realized as the country's general business environment further improves. A number of recent key initiatives to aggressively grow and expand the business and a continuing focus on operational efficiency have resulted in sustained improvements in the financial results of two subsidiaries, namely, Abacus Securities Corporation (ASC) and Vista Holdings Corporation. Moreover, the launch of ASC's online trading facility in 2017 is expected to further boost these efforts. Accordingly, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. In connection with our audit, we have performed sufficient audit procedures to evaluate the reasonableness of management's representations with regard to the continuance of the Group's operations. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below and in the succeeding pages to be the key audit matters to be communicated in our report.

(a) Impairment of Receivables

Description of the Matter

As of December 31, 2016, the Group's receivables amounted to P2,276,624,252, net of allowance for impairment of P289,326,103, while the details and related credit risk are disclosed in Notes 4 and 10 to the consolidated financial statements. Receivables consist of 38% of the Group's total assets as of December 31, 2016. Certain receivables amounting to P1,137,169,103 are secured by collateral valuation of traded equity securities, while the remaining balance is unsecured.

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Under Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. The Group's management exercises significant judgment and uses subjective estimates in determining when and how much to recognize impairment loss on receivables. These judgment and estimates are set out in the Group's accounting policies in Notes 2 and 3 to the consolidated financial statements, wherein receivables are assessed for impairment if there is objective evidence of impairment that exists as of the end of the reporting period (i.e., an actual loss experience).

Because of the significance of the amounts involved and subjectivity of management's judgment and estimates used, we identified the inadequacy of the allowance for impairment on receivables as an audit area of focus.

How the Matter was Addressed in the Audit

We performed substantive audit procedures, which included, among others, assessing the counterparties' repayment abilities by examining payment history, evaluating and assessing the valuation of the collaterals attached as security to receivables and comparing the latest market valuation against the outstanding receivable balance, and reviewing the counterparties' latest available financial information.

(b) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's deferred tax assets amounted to P127,025,393 and P130,188,403 as of December 31, 2016 and 2015, respectively. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining probabilities of sufficiency of future taxable profits is highly judgmental, requiring preparation of profitability projections. Accordingly, we have also identified the recoverability of deferred tax assets as an audit area of focus.

How the Matter was Addressed in the Audit

Our work included, among others, obtaining management's income projections for the next three years. Relative to this, we checked appropriateness of management's assumptions used in coming up with the income projections underlying the recoverability of deferred tax assets by comparing the forecasts to our expectations based on historical performance. These significant assumptions include income growth rate, and volume of trading transactions, which are expected to grow based on available historical information. We also considered the fact that the Group has planned to obtain lower costs of external funding and had utilized deferred tax assets in prior periods.

(c) Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2016, the carrying amount of goodwill, net of allowance for impairment, amounted to P35,324,355, which is included as part of the Other Assets account in the Group's consolidated statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. This annual impairment test was significant to our audit because management's assessment process is complex and highly judgmental and is based on significant assumptions, specifically on the cash generating units (CGUs) where the goodwill is allocated and the future cash flows of that particular CGUs, which are affected by expected future market or economic conditions.

Management's significant assumptions include:

- ASC, the identified CGU on which the goodwill is allocated, will continue as a going concern;

- ASC will have sufficient financial assets to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- ASC's performance forecasts for the next three years, which include the effects of online trading facility that was launched in 2017.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 13, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, evaluating the assumptions and methodologies used by management, particularly those relating to the forecasted revenue growth and profit margins of ASC by considering historical trends and the future operational plans of the ASC's management. We also reviewed the underlying data used in computing for the expected revenue growth brought by ASC's launch of its online trading facility. In addition, our audit on the financial statements of ASC as of and for the year ended December 31, 2016 did not identify event or conditions that may cast significant doubt on the subsidiary's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audits resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5908631, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2017

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
ASSETS			
CASH	7	P 77,919,874	P 119,556,641
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	8	970,057,383	715,166,513
AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net	9	2,397,978,166	2,361,529,820
RECEIVABLES - Net	10	2,276,624,282	1,788,709,612
PROPERTY AND EQUIPMENT - Net	12	81,014,198	51,738,382
DEFERRED TAX ASSETS - Net	21	127,025,393	130,188,403
OTHER ASSETS - Net	13	155,187,537	144,105,543
TOTAL ASSETS		P 6,055,806,803	P 5,310,994,914
LIABILITIES AND EQUITY			
INTEREST-BEARING LOANS AND BORROWINGS	14	P 3,451,593,736	P 2,841,164,824
DUE TO CUSTOMERS	15	185,916,065	201,317,786
ACCOUNTS PAYABLE AND OTHER LIABILITIES	16	170,738,887	146,846,137
Total Liabilities		3,808,248,688	3,189,328,747
CAPITAL STOCK	17	1,193,200,000	1,193,200,000
ADDITIONAL PAID-IN CAPITAL		3,104,800	3,104,800
TREASURY SHARES - At Cost	17	(385,670,581)	(385,670,581)
REVALUATION RESERVES	17	1,971,896,074	1,842,480,838
DEFICIT	1	(534,972,178)	(531,448,890)
Total Equity		2,247,558,115	2,121,666,167
TOTAL LIABILITIES AND EQUITY		P 6,055,806,803	P 5,310,994,914

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
NET PROFIT (LOSS)		(P 3,523,288)	P 3,092,625	P 110,926,742
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss –				
Gain on remeasurements of post-employment defined benefit plan, net of tax	18	362,878	2,048,631	695,901
Items that will be reclassified subsequently to profit or loss:				
Unrealized fair value gains (losses) on available-for-sale financial assets	9	221,477,502	(75,705,489)	(15,959,758)
Realized fair value gains on the disposal of available-for-sale financial assets	9	(92,425,144)	(98,921,767)	(317,333,803)
Total Other Comprehensive Income (Loss)		129,415,236	(172,578,625)	(332,597,660)
TOTAL COMPREHENSIVE INCOME (LOSS)		P 125,891,948	(P 169,486,000)	(P 221,670,918)

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Capital Stock (see Note 17)	Additional Paid-in Capital (see Note 2)	Treasury Shares (see Note 17)	Revaluation Reserves (see Note 17)	Deficit (see Note 1)	Total Equity
1, 2016	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 1,842,480,838	(P 531,448,890)	P 2,121,666,167
ve income (loss) for the year	-	-	-	129,415,236	(3,523,288)	125,891,948
er 31, 2016	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 1,971,896,074	(P 534,972,178)	P 2,247,558,115
1, 2015	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 2,015,059,463	(P 534,541,515)	P 2,291,152,167
ve income (loss) for the year	-	-	-	(172,578,625)	3,092,625	(169,486,000)
er 31, 2015	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 1,842,480,838	(P 531,448,890)	P 2,121,666,167
1, 2014	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 2,347,657,123	(P 645,468,257)	P 2,512,823,085
ve income (loss) for the year	-	-	-	(332,597,660)	110,926,742	(221,670,918)
er 31, 2014	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 2,015,059,463	(P 534,541,515)	P 2,291,152,167

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 11,535,562	(P 1,189,649)	P 115,561,205
Adjustments for:				
Interest expense	20	327,403,684	184,080,391	184,403,786
Depreciation and amortization	12, 13	11,778,505	12,758,250	20,928,963
Interest income	20	(386,378)	(245,427)	(123,179)
Operating profit before working capital changes		340,364,276	195,403,565	320,770,775
Decrease (increase) in financial assets at fair value through profit or loss		(354,890,870)	(230,918,333)	150,837,012
Decrease (increase) in available-for-sale financial assets		92,604,010	128,613,615	(430,159,318)
Decrease (increase) in receivables		(487,914,640)	71,051,638	19,438,834
Increase in other assets		(23,934,945)	(16,309,351)	(7,099,926)
Increase (decrease) in due from/to customers		(15,401,723)	(98,925,371)	80,101,236
Decrease in accounts payable and other liabilities		(8,306,873)	(3,912,206)	(101,181,951)
Cash generated from (used in) operations		(456,280,755)	54,963,577	32,726,662
Interest received	20	386,378	245,427	123,179
Cash paid for taxes		(46,891)	(32,590)	(62,472)
Net Cash From (Used in) Operating Activities		(455,931,234)	55,176,414	32,787,369
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	12	(11,054,335)	(1,850,772)	(1,328,075)
Proceeds from disposal of property and equipment	12	-	-	860,000
Net Cash Used in Investing Activities		(11,054,335)	(1,850,772)	(468,075)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from additional loans and borrowings	14	1,463,766,306	868,561,669	451,067,592
Repayments of loans and borrowings		(853,277,394)	(731,691,219)	(368,179,219)
Interest paid	14	(185,040,084)	(185,040,084)	(167,447,261)
Net Cash From (Used in) Financing Activities		425,388,828	(48,169,634)	(84,558,888)
NET INCREASE (DECREASE) IN CASH		(41,636,767)	5,156,008	(52,239,594)
CASH AT BEGINNING OF YEAR		119,556,641	114,400,633	166,640,227
CASH AT END OF YEAR		P 77,919,874	P 119,556,641	P 114,400,633

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.01 Corporate Information

First Abacus Financial Holdings Corporation (the Parent Company) was incorporated and registered with the Philippines Securities Exchange Commission (SEC) on February 15, 1994. The Parent Company wholly owns the following subsidiaries (together herein referred to as the Group), all of which are incorporated in the Philippines:

Subsidiaries	Nature of Business
Abacus Capital & Investment Corporation (ACIC)	Investment banking
Abacus Securities Corporation (ASC)	Securities brokerage
Vista Holdings Corporation (VHC)	Leasing

The Parent Company was established primarily to invest in, acquire by purchase, exchange or assignment and hold for investment, shares of capital stock or other securities issued by any corporation, association or other entities. The Parent Company is also involved in providing management advisory services as well as purchasing, selling and assigning accounts receivable, negotiable instruments and other evidences of indebtedness for the payment of money owed by any entity. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

The Group's registered office, which is also the principal place of business, is located at Unit 2904-A East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

1.02 Status of Operations

The Group has an accumulated deficit of P534,972,178 and P531,448,890 as of December 31, 2016 and 2015, respectively. The accumulation of significant deficit indicates the existence of a material uncertainty, which may cast significant doubt on the Group's ability to continue as a going concern. Management is fully confident, however, that the inherent strengths and potentials of the Company and, consequently, its ability to recover from the deficit incurred will be fully realized as the country's general business environment further improves. A number of recent key initiatives to aggressively grow and expand the business and a continuing focus on operational efficiency have resulted in sustained improvements in the financial results of ASC and VHC. Moreover, the launch of ASC's online trading facility in 2017 is expected to further boost these efforts. Accordingly, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business

1.03 Approval of Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2016 (including the comparative consolidated financial statements as of December 31, 2015 and for the years ended December 31, 2015 and 2014) were authorized for issue by the Parent Company's Chairman of the Board of Directors (BOD) and Chief Executive Officer on April 6, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.01 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statements of comprehensive income separate from the consolidated statements of profit or loss.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.02 *Adoption of Amended PFRS*

(a) *Effective in 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding pages are relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the materiality principle applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. These further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.* The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. On the other hand, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants.* The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception.* These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries. In addition, PFRS 12 has been amended to clarify that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.

(v) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group:

- PAS 19 (Amendments), *Employee Benefits: Discount Rate – Regional Market Issue.* The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts.* The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset.

(b) Effective in 2016 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"
PFRS 5 (Amendments)	:	Non-current Assets Held for Sale and Discontinued Operations – Changes in Method of Disposal
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). It requires an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, the amendments suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements, which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(v) PFRS 16, Leases (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in the Group's consolidated financial statements.

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.03 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its wholly owned subsidiaries (ACIC, ASC and VHC) after elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

2.04 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.05 Business Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 6, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately, as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment's profit or loss.

2.06 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets relevant to the Group is as follows:

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

The Group's financial assets categorized as loans and receivables are presented as Cash and Receivables in the consolidated statement of financial position. Cash includes cash on hand and bank deposits which are unrestricted as to withdrawal.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed equity securities and club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) *Carried at Cost – AFS Financial Assets*

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) *Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.07 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement 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 assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.08 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Condominium units	15-25 years
Building improvements	5 years
Transportation equipment	5 years
Computer equipment	3-5 years
Furniture, fixtures and equipment	3-5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year the item is derecognized.

2.09 Investment Properties

Investment properties (recognized under Other Assets), accounted for under the cost model, are properties held either to earn rental or for capital appreciation or both, but not for sale in the ordinary course of business, use for rendering of services or for administrative purposes.

Investment properties are initially recognized, subsequently measured, and derecognized in the same manner as property and equipment (see Note 2.08).

Depreciation is computed on a straight-line basis over the estimated useful life of the assets of 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

2.10 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.11 Intangible Assets

Intangible assets include goodwill, trading right and acquired computer software licenses (presented as part of Other Assets account in the consolidated statement of financial position). The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

(a) *Goodwill*

Goodwill represents the excess of the acquisition cost of the investment over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Goodwill is carried at amortized cost up to the date of transition to PFRS, less any impairment in value. Goodwill is subject to annual test for impairment whether there is an objective evidence of impairment or not (see Note 2.13).

(b) *Trading Right*

Trading right represents the value of the exchange seat, which allows the Group to trade in the PSE. Trading right is assessed as having an indefinite useful life and is [illegible]

(c) *Computer Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years, as these intangible assets are considered finite (see Note 2.13).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

2.12 Deferred Oil Exploration Costs

The Group made certain investments in oil exploration projects. The cost of exploration relating to service contract or block area which is still in the exploratory stage are capitalized as Deferred oil exploration costs (shown under the Other Assets account in the consolidated statement of financial position). When a service contract or block area is permanently abandoned, the related deferred oil exploration cost is written off. Service contracts or block areas are considered not permanently abandoned if the service contracts have not yet expired and/or there are ongoing negotiations for further exploration. The carrying amount of the capitalized deferred oil exploration costs is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (see Note 2.13).

2.13 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, deferred oil exploration costs, goodwill, computer software, trading right and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with an indefinite useful life such as goodwill and trading right are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except goodwill and trading right, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Impairment losses recognized on goodwill are not reversed.

2.14 Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings, due to customers, and accounts payable and other liabilities (excluding certain accounts within accounts payable and accrued expenses, post-employment defined benefit obligation, and tax-related payable).

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense under the caption of Finance Costs in the consolidated statement of profit or loss.

Interest-bearing loans and borrowings are obtained to support the short-term to long-term funding needs of the Group. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Due to customers, and accounts payable and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities of more than one year, less settlement payments.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the consolidated profit or loss.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit obligation.

Deficit represents all current and prior period results of operations as reported in the consolidated statement of profit or loss.

2.18 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Rendering of services (commissions, underwriting fees, financial and management advisory fees)* – Revenue is recognized when contractually agreed tasks have been substantially rendered.

(b) *Gain on sale of investments* – Revenue is recognized when the ownership of the

(c) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the assets.

(d) *Rental* – Revenue is recognized on a straight line basis over the lease term.

Costs and expenses are recognized in the consolidated statement of profit or loss upon utilization of services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for borrowing costs capitalized as part of the cost of any qualifying asset (see Note 2.23).

2.19 Securities Transactions

Securities transactions (and related commission income and expense, if applicable) are recorded on a transaction date basis.

2.20 Leases

The Group accounts for its leases as follows:

(a) *Group as lessee* – Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) *Group as lessor* – Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated statement of profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.21 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates, which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

2.22 Employee Benefits

The Group provides benefits to employees through a defined benefit plan, defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified and non-contributory.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as social security system. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included as part of Others under the Accounts Payable and Other Liabilities account (see Note 16) in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.23 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.24 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.25 Earnings (Loss) Per Share

Earnings (loss) per share is determined by dividing consolidated net profit (loss) by the weighted average number of common shares issued and outstanding during the year.

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consildated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.01 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the judgments discussed in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) *Impairment of AFS Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

Allowance for impairment losses on the Group's AFS financial assets amounts to P150,281,764 as of December 31, 2016 and 2015 (see Note 9).

(b) *Distinction between Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has determined that its current lease agreements are under operating leases.

(c) *Distinction between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 23.

3.02 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Useful Lives of Property and Equipment, Investment Properties and Computer Software

The Group estimates the useful lives of property and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, investment properties and computer software are analyzed in Notes 12, 13.03 and 13.06, respectively. Based on management's assessment as at December 31, 2016 and 2015, there is no change in the estimated useful lives of property and equipment, investment properties and computer software during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) Impairment of Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 10.

(c) Valuation of Financial Assets other than Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect the consolidated profit and loss and other comprehensive income. In 2016 and 2015, most of the Group's financial assets measured at fair value are valued using price quoted in an active market.

The carrying values of the Group's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 8 and 10, respectively.

(d) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2016 and 2015 are disclosed in Note 21.

(e) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss on non-financial assets was recognized in 2016, 2015 and 2014.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's post-employment defined benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 18.02.

(g) Fair Value Measurement for Investment Properties

The Group's investment properties are composed of condominium units carried at cost at the end of the reporting period. The fair value of investment properties, as disclosed in Note 13.03, is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behaviour of the buying parties. A significant change in these elements may affect prices and the value of the assets.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The risk management activities at the level of each company in the Group is coordinated with the Parent Company, in close cooperation with its BOD, and focuses on actively securing the Group's short-to-medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

4.01 Interest Rate Risk

The table below illustrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the Group's interest-bearing loans and borrowings' interest rates of +/- 1.11% in 2016 and +/- 0.78% in 2015. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	Effect on Profit before Tax	
	Positive Change	Negative Change
2016 (+/- 1.11%)	**P 38,312,690**	**(P 38,312,690)**
2015 (+/- 0.78%)	22,161,086	(22,161,086)

4.02 Foreign Currency Risk

Foreign currency risk arises mainly from potential losses from the changes in the exchange rates of the Group's foreign currency-denominated assets.

The Group seeks to mitigate the effect of its foreign currency exposure by limiting its foreign currency transactions to the extent possible. The Group does not enter into forward contracts or hedging transactions.

The Group's United States (US) dollar-denominated financial instruments pertain only to cash in banks, translated into Philippine pesos at the closing rates, amounting to P186,451 and P129,046 in 2016 and 2015, respectively.

The exchange rates used was P49.813:US$1 and P47.166:US$1 as of December 31, 2016 and 2015, respectively.

The Group's exposures to changes in foreign exchange rates differ at various periods each year, depending on foreign exchange transaction volumes. Nonetheless, the management believes that the Group's exposure to foreign exchange risk is not material.

4.03 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements) as summarized below.

	Notes	2016	2015
Cash	7	P 77,919,874	P 119,556,641
Receivables – net	10	2,276,624,252	1,788,709,612
		P 2,354,544,126	P 1,908,266,253

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

The tables below show the credit quality by class of financial assets as of December 31.

	Neither Past Due Nor Impaired		Past Due but not Individually Impaired	Total
	High Grade	Standard Grade		
December 31, 2016				
Cash	P 77,919,874	P -	P -	P 77,919,874
Receivables:				
Customers/brokers	-	1,509,579,044	8,809,707	1,518,388,751
Equity margin loans	-	631,010,178	-	631,010,178
Accounts receivable	8,568,806	-	175,902,118	184,470,924
Notes receivables	-	5,972,902	71,612,364	77,585,266
Interest receivables	-	7,287,476	57,854,154	65,141,630
Management fees	-	42,500,000	-	42,500,000
Due from clearing house	-	37,830,941	-	37,830,941
Others	-	9,022,665	-	9,022,665
Receivables – gross	8,568,806	2,243,203,206	314,178,343	2,565,950,355
Allowance for impairment	-	-	(289,326,103)	(289,326,103)
Receivables – net	8,568,806	2,243,203,206	24,852,240	2,276,624,252
	P 86,488,680	P 2,243,203,206	P 24,852,240	P2,354,544,126

	Neither Past Due Nor Impaired		Past Due but not Individually Impaired	Total
	High Grade	Standard Grade		
December 31, 2015				
Cash	P 119,556,641	P -	P -	P 119,556,641
Receivables:				
Customers/brokers	-	993,239,022	5,686,119	998,925,141
Equity margin loans	-	631,100,575	-	631,100,575
Accounts receivable	6,459,633	-	177,890,815	184,350,448
Due from clearing house	-	4,906,774	74,612,364	79,519,138
Notes receivable	-	67,776,025	-	67,776,025
Interest receivable	-	7,287,476	57,854,154	65,141,630
Management fees	-	34,000,000	-	34,000,000
Others	-	12,222,758	-	12,222,758
Receivables – gross	6,459,633	1,750,532,630	316,043,452	2,073,035,715
Allowance for impairment	-	-	(284,326,103)	284,326,103
Receivables – net	6,459,633	1,750,532,630	31,717,349	1,788,709,612
	P 126,016,274	P 1,750,532,630	P 31,717,349	P 1,908,266,253

High Grade credit quality pertains to financial assets with insignificant risk of default based on historical experience. On the other hand, Standard Grade credit quality pertains to financial assets not belonging to High Grade credit quality financial assets but does not exhibit any default or possible impairment.

Certain receivables of the Group are partially secured by borrowers' collaterals and customers' shares of stock traded in the PSE that are held by the Group. Other financial assets are not secured by collateral or other credit enhancements.

Management believes that the amount of past due but not individually impaired receivables are still recoverable as the Group's management has regular communication with the debtors for the settlement of the receivables. In respect of receivables, the Group is not exposed to any significant credit risk exposure to any group of counterparties having similar characteristics; however, the Group is exposed to significant credit risk exposure to a number of counterparties due to significance of outstanding receivables from these counterparties. Nevertheless, the Group's management does not consider the risks to be probable since, based on historical information about counterparties' default rates and payment history, management considers the credit quality of receivables that are not past due or impaired to be good.

4.04 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by the Group's ability to sell long-term financial assets.

As at December 31, 2016 and 2015, the Group's financial liabilities have contractual maturities which are presented below.

	Within Six Months	Six to 12 Months	Total
December 31, 2016			
Interest-bearing loans and borrowings	P 3,451,593,736	P -	P 3,451,593,736
Due to customers	185,916,065	-	185,916,065
Accounts payable and other liabilities (excluding post-employment defined benefit obligation and taxes payable)	177,398,221	-	177,398,221
	P 3,814,908,022	P -	P 3,814,908,022
December 31, 2015			
Interest-bearing loans and borrowings	P 2,466,788,270	P 391,039,732	P 2,857,828,002
Due to customers	201,317,806	-	201,317,806
Accounts payable and other liabilities (excluding post-employment defined benefit obligation and taxes payable)	22,780,632	149,156,193	171,936,825
	P2,690,886,708	P 540,195,925	P 3,231,082,633

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting period.

4.05 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVTPL and AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The observed volatility rates using standard deviation of the fair values of the Group's investments held at fair value and their impact on the Group's net profit and other comprehensive income as of December 31, 2016 and 2015 are summarized as follows:

			Impact of Increase		Impact of Decrease	
	Increase	Decrease	Net Profit	Other Comprehensive Income	Net Profit	Other Comprehensive Income
2016						
Financial assets at FVTPL	+12.97%	-12.97%	P 125,816,443	P -	(P 125,816,443)	P -
AFS financial assets Berjaya Philippines, Inc. (BCOR)	+66.52%	-66.52%	-	1,585,470,495	-	(1,585,470,495)
			P 125,816,443	P 1,585,470,495	(P 125,816,443)	(P 1,585,470,495)
2015						
Financial assets at FVTPL	+15.10%	-15.10%	P 95,686,815	P -	(P 95,686,815)	P -
AFS financial assets Berjaya Philippines, Inc. (BCOR)	+28.04%	-28.04%	-	610,515,764	-	(610,515,764)
Premium Leisure Corp. (PLC)	+42.64%	-42.64%	-	682,240	-	(682,240)
Coal Asia Holdings (COAL)	+19.04%	-19.04%	-	152,356	-	(152,356)

The investments in listed equity securities (classified as AFS financial assets) are considered long term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

The volatility rates of investment in golf club shares were not presented as of December 31, 2016 and 2015 since the impact of these volatility rates using standard deviation of the golf club shares on the consolidated other comprehensive income would not be significant.

5. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.01 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2016		2015	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
Loans and receivables:					
Cash	7	P 77,919,874	P 77,919,874	P 119,556,641	P 119,556,641
Receivables – net	10	2,276,624,252	2,276,624,252	1,788,709,612	1,788,709,612
		2,354,544,126	2,354,544,126	1,908,266,253	1,908,266,253
Financial assets at FVTPL	8	970,057,383	970,057,383	715,166,513	715,166,513
AFS financial assets	9	2,397,978,166	2,397,978,166	2,361,529,820	2,361,529,820
		3,368,035,549	3,368,035,549	3,076,696,333	3,076,696,333
		P5,722,579,675	P5,722,579,675	P 4,984,962,586	P 4,984,962,586
Financial liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	14	P 3,451,593,736	P3,451,593,736	P 2,841,164,824	P 2,841,164,824
Due to customers	15	185,916,065	185,916,065	201,317,786	201,317,786
Accounts payable and other other liabilities	16	125,143,107	125,143,107	100,090,585	100,090,585
		P3,762,652,908	P3,762,652,908	P 3,142,573,195	P 3,142,573,195

5.02 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting agreement:

		Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position
	Note	Financial assets	Financial liabilities set-off	
December 31, 2016				
Due from (to) clearing house	10	P 337,737,605	(P 299,906,664)	P 37,830,941

December 31, 2015

Certain amounts of ASC's due from customers are set-off with certain amounts of its due to customers. As agreed between the Parent Company and the ASC's directors and key officers in an offsetting arrangement between the concerned parties, any amounts due from the directors and key officers (which are included as part of Due from Customers in the consolidated statements of financial position) arising from trading transactions will be offset against the related amount of due to customers that is payable to the Parent Company.

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between ASC and its customers allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis.

There were no other financial assets and financial liabilities set-off in 2016 and 2015 other than the receivables from clearing house and amounts due to customers.

Currently, other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument, particularly related parties, will have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties.

5.03 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- 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); and,

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

5.04 Financial Instrument Measured at Fair Value

The tables below show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2016 and 2015.

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Financial assets at FVTPL	P 970,057,383	P -	P -	P 970,057,383
AFS financial assets	2,383,449,331	6,180,000	-	2,389,629,331
	P 3,353,506,714	P 6,180,000	P -	P3,359,686,714
December 31, 2015				
Financial assets at FVTPL	P 715,166,513	P -	P -	P 715,166,513
AFS financial assets	2,346,930,985	6,250,000	-	2,353,180,985
	P 3,062,097,498	P 6,250,000	P -	P3,068,347,498

All financial instruments classified as AFS financial assets amounting to P2,383,449,331 and P2,346,930,985 as of December 31, 2016 and 2015, respectively, are classified as Level 1, while golf club shares amounting to P6,180,000 and P6,250,000 as of December 31, 2016 and 2015, respectively, are classified as Level 2 in fair value hierarchy. Investments in unquoted equity securities amounting to P158,630,599, with allowance for impairment of P150,281,764, both in 2016 and 2015, which are measured at cost because the fair value cannot be reliably measured, are not included in the fair value hierarchy (see Note 9).

There were no financial liabilities measured at fair value as of December 31, 2016 and 2015.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instrument in both years.

5.05 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below and in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
<u>December 31, 2016</u>				
Financial assets:				
Cash	P 77,919,874	P -	P -	P 77,919,874
Receivables - net	-	-	2,276,624,252	2,276,624,252
	P 77,919,874	P -	P 2,276,624,252	P 2,354,544,126
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 3,451,593,736	P 3,451,593,736
Due to customers	-	-	185,916,065	185,916,065
Accounts payable and other liabilities	-	-	125,143,107	125,143,107
	P -	P -	P 3,762,652,908	P 3,762,652,908

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Financial assets:				
Cash	P 119,556,641	P -	P -	P 119,556,641
Receivables - net	-	-	1,788,709,612	1,788,709,612
	P 119,556,641	P -	P 1,788,709,612	P 1,908,266,253
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 2,841,164,824	P 2,841,164,824
Due to customers		-	201,317,786	201,317,786
Accounts payable and other liabilities	-	-	100,090,585	100,090,585
	P -	P -	P 3,142,573,195	P 3,142,573,195

For cash, with fair value included in Level 1, fair value is based on unadjusted quoted amount from the counterparty banks.

The fair values of the financial assets and financial liabilities included in Level 3 above, which are not traded in an active market is determined by reference to the current market value of another instrument, which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.06 Fair Value Measurement of Non-financial Assets

The market value of the Group's investment properties, which consist of condominium units, amounts to P58,827,000 and P59,969,500 as of December 31, 2016 and 2015, respectively, based on the market comparable approach that reflects recent transaction prices for similar properties and adjacent properties.

The Level 3 fair value of the condominium units was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties (see Note 13.03).

6. SEGMENT REPORTING

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into the following business segments:

(a) *Securities brokerage* – handles buying and selling of shares of stock, bonds and other securities.

(b) *Investment banking* – provides services which include underwriting of financial instruments and management fees from financial and management advisory services.

(c) *Leasing and others* – includes leasing of condominium units and other segment activities, none of which constitute a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds ranges from 5.00% to 7.00% in 2016 and 4.50% to 7.00% in 2015 (see Note 14).

Inter-segment revenues and expenses also include rentals from the operating leases on condominium units managed by certain segments. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

The tables below present revenue and profit information regarding industry segments for the years ended December 31, 2016, 2015 and 2014 and certain assets and liabilities information regarding industry segments as at December 31, 2016, 2015 and 2014.

	December 31, 2016					
	Securities Brokerage	Investment Banking	Leasing and Others	Total before Elimination	Elimination	Group
Revenues:						
External	P 213,509,721	P 133,972,187	P 74,313,297	P 421,655,205	P -	P 421,655,205
Inter-segment	80,256	36,869,800	8,342,016	45,292,072	(50,820,133)	(5,588,061)
	213,589,977	170,841,987	82,655,313	466,871,277	(50,820,133)	416,051,144
Expenses:						
External	128,495,182	236,727,727	39,288,673	404,511,582	-	404,511,582
Inter-segment	44,634,105	1,164,060	-	45,798,165	(45,798,165)	-
	173,129,287	237,891,787	39,288,673	450,309,747	(45,798,165)	404,511,582
Profit (loss) before tax	P 40,260,690	(P 67,049,808)	P 43,350,640	P 16,561,530	(P 5,030,968)	P 11,530,562
Net profit (loss)	P 26,528,278	(P 69,512,910)	P 43,688,531	P 1,458,690	(P 5,021,668)	(P 3,523,288)
Segment assets	P 804,815,722	P 8,494,674,386	P 729,806,385	P 10,029,294,236	(P 973,487,433)	P 6,055,806,803
Segment liabilities	P 440,494,336	P 2,591,732,613	P 328,193,476	P 3,360,220,425	(P 332,541,583)	P 3,028,248,688
Other segment items:						
Capital expenditures	P 11,054,321	P -	P -	P 11,054,321	P -	P 11,054,321
Depreciation and amortization	P 5,718,587	P 5,148,734	P 4,631,184	P 15,498,505	P 280,000	P 15,778,505

	December 31, 2015					
	Securities Brokerage	Investment Banking	Leasing and Others	Total before Elimination	Elimination	Group
Revenues:						
External	P 182,646,042	P 139,049,383	P 46,090,090	P 368,685,516	P -	P 368,685,516
Inter-segment	65,551	41,016,185	8,282,016	49,363,752	(50,365,277)	(1,001,745)
	182,711,593	180,065,568	54,372,106	418,049,048	(50,365,277)	367,683,771
Expenses:						
External	130,998,544	206,833,830	31,041,046	368,873,420	-	368,873,420
Inter-segment	39,237,839	10,125,694	-	49,363,533	(49,363,533)	-
	170,236,383	216,959,524	31,041,046	418,236,953	(49,363,533)	368,873,420
Profit (loss) before tax	P 12,474,550	(P 35,999,956)	P 23,331,060	(P 187,905)	(P 1,001,744)	(P 1,189,649)
Net profit (loss)	P 6,084,172	(P 25,052,510)	P 25,042,702	P 4,054,365	P 1,001,744	P 5,052,025
Segment assets	P 458,818,973	P 4,949,208,160	P 565,527,202	P 6,205,053,335	(P 894,058,421)	P 5,310,994,914
Segment liabilities	P 354,837,384	P 2,518,409,157	P 394,814,566	P 3,268,061,487	(P 78,733,540)	P 3,189,328,347
Other segment items:						
Capital expenditures	P 1,850,772	P -	P -	P 1,850,772	P -	P 1,850,772
Depreciation and amortization	P 6,347,702	P 1,499,504	P 4,631,184	P 12,478,390	P 200,000	P 11,893,478

	December 31, 2014					
	Securities Brokerage	Investment Banking	Leasing and Others	Total before Elimination	Elimination	Group
Revenues:						
External	P 225,655,509	P 361,181,470	P 9,600,942	P 596,437,921	P -	P 596,437,921
Inter-segment	846,427	45,575,084	12,364,248	58,785,759	(58,785,759)	-
	226,501,936	406,756,554	21,965,190	655,223,680	(58,785,759)	596,437,921
Expenses:						
External	159,923,255	294,042,519	26,912,362	480,878,716	-	480,876,716
Inter-segment	54,152,849	79,887,984	-	134,040,833	(134,040,833)	-
	214,076,104	373,930,503	26,912,362	614,917,549	(134,040,833)	480,876,716
Profit (loss) before tax	P 12,426,832	P 32,825,451	(P 4,946,231)	P 40,306,132	P 75,257,073	P 115,563,205
Net profit (loss)	P 8,180,344	P 33,145,514	(P 5,650,500)	P 35,665,668	P 75,257,074	P 110,924,742
Segment assets	P 914,176,708	P 5,332,852,139	P 500,475,153	P 6,749,505,000	(P 1,301,048,725)	P 5,448,456,364
Segment liabilities	P 584,245,568	P 2,686,118,268	P 555,792,725	P 3,626,184,595	(P 467,080,458)	P 3,158,504,137
Other segment items:						
Capital expenditures	P 1,328,075	P -	P -	P 1,328,075	P -	P 1,328,075
Depreciation and amortization	P 10,721,855	P 5,295,524	P 4,631,184	P 20,648,563	P 280,000	P 20,928,563

7. CASH

This account includes the following:

	2016	2015
Cash in banks	P 77,833,253	P 119,470,020
Cash on hand	86,621	86,621
	P 77,919,874	P 119,556,641

The Group maintains a special reserve bank account with a local bank in compliance with the Securities Regulation Code in relation to the securities brokerage business of the Group. The bank account has an unrestricted balance of P1,339,758 and P46,422,941 as of December 31, 2016 and 2015, respectively.

Foreign currency-denominated cash amounts to P186,451 (US$3,743) and P129,046 (US$2,736) as of December 31, 2016 and 2015, respectively.

Cash in banks generally earn interest based on daily bank deposit rates (see Note 20.01).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVTPL are composed of equity securities with a total fair value amounting to P970,057,383 and P715,166,513 as of December 31, 2016 and 2015, respectively.

Equity securities include investments in shares of stock of publicly-listed entities which are held solely for trading purposes. These shares are carried at fair value as determined directly by reference to published price quoted in an active market and are classified under Level 1 in the fair value hierarchy (see Note 5.03). For investments in shares of stock of publicly-listed entities, which are suspended for trading as of the end of the reporting period, the last transacted price before the suspension was used in the determination of their fair value.

The net gain on sale of financial assets at FVTPL amounted to P57,747,281 in 2016, P45,515,945 in 2015 and P78,766,959 in 2014. These are presented as part of Gain on Sale of Investments under the Finance Income account in the consolidated statements of profit or loss (see Note 20.01).

The Group recognized changes in fair value of financial assets at FVTPL amounting to a gain of P79,475,778 in 2016 and P30,491,273 in 2015, and loss of P20,727,691 in 2014. These are presented as part of Finance Income or Finance Costs in the consolidated statements of profit or loss (see Notes 20.01 and 20.02).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets pertain to the shares of stock in the following corporations:

	2016	2015
At fair value:		
BCOR	P 2,383,449,331	P2,344,530,585
PLC	-	1,600,000
COAL	-	800,400
Others - club shares	6,180,000	6,250,000
	2,389,629,331	2,353,180,985
At cost:		
Universal Rightfield Properties (URP)	144,910,130	144,910,130
Metro Pacific Corporation (MPC)	10,697,669	10,697,669
Philippine Central Depository (PCD)	22,800	22,800
Others	3,000,000	3,000,000
	158,630,599	158,630,599
Allowance for impairment	(150,281,764)	(150,281,764)
	8,348,385	8,348,835
	P 2,397,978,166	P2,361,529,820

The movements of AFS financial assets are as follows:

	Note	2016	2015
Balance at beginning of year		P 2,361,529,820	P2,664,770,691
Additions		13,162,250	56,213,419
Disposals		(105,766,262)	(184,827,034)
Realized fair value gains transferred to profit or loss	20.01	(92,425,144)	(98,921,767)
Unrealized fair value gains (losses) – net		221,477,502	(75,705,489)
Balance at end of year		P 2,397,978,166	P2,361,529,820

Other AFS financial assets pertain to proprietary membership in golf and country club shares.

The fair values of the listed equity securities were determined directly by reference to quoted prices published by the PSE and are classified under Level 1 in the fair value hierarchy (see Note 5.03). On the other hand, the fair values of the club shares were determined using the prices published by an SEC-registered club share broker.

Investments in URP and PCD, publicly listed companies, whose shares are suspended for trading, were valued at total cost amounting to P144,932,930, and were fully provided with allowance for impairment.

Fair value gains on AFS financial assets amounting to P221,477,502 in 2016, and fair value losses amounting to P75,705,489 and P15,959,758 in 2015 and 2014, respectively, are presented in the consolidated statements of comprehensive income as items that will be reclassified subsequently to profit or loss. Accordingly, as a result of investment disposals, the cumulative fair value gains amounting to P92,425,144, P98,921,767 and P317,333,803 in 2016, 2015 and 2014, respectively, were realized and reclassified from equity and are included as part of Gain on sale of investments under the Finance Income account in the consolidated statements of profit or loss (see Note 20.01).

Net cumulative fair value changes on AFS financial assets amount to P1,981,220,578 and P1,852,168,220 as of December 31, 2016 and 2015, respectively, and are presented as part of the Revaluation Reserves account in the consolidated statements of financial position (see Note 17.02).

10. RECEIVABLES

The breakdown of this account is as follows:

	Notes	2016	2015
Customers/brokers	10.02	P 1,518,388,781	P 998,925,141
Equity margin loans	10.01	631,010,178	631,100,575
Accounts receivable	10.03, 11.02	184,470,924	184,350,448
Notes receivables	10.04	77,585,266	79,519,138
Interest receivables	10.04	65,141,630	65,141,629
Management fees	11.01	42,500,000	34,000,000
Due from clearing house	5.02	37,830,941	67,776,025
Others	11.03	9,022,665	12,222,759
		2,565,950,355	2,073,035,715
Allowance for impairment		(289,326,103)	(284,326,103)
		P 2,276,624,252	P 1,788,709,612

A reconciliation of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	Note	2016	2015
Balance at beginning of year		P 284,326,103	P 284,409,762
Impairment losses	20.02	5,000,000	-
Write-off		-	(83,659)
Balance at end of year		P 289,326,103	P 284,326,103

The maturity profile of the Group's receivables is as follows:

	2016	2015
Within one year	P1,489,926,281	P 999,921,243
Beyond one year but less than five years	786,697,971	788,788,369

All receivables of the Group have been reviewed for indications of impairment. Management believes that the allowance for impairment is adequate to cover any losses from its receivables. The Group is in constant communication with the debtors for the settlement of the receivables. However, the Group has written-off certain due from customers' accounts amounting to P83,659 in 2015 (nil in 2016), wherein collection can no longer be reasonably expected, notwithstanding the efforts of the management to do so.

10.01 Equity Margin Loans

Effective January 1, 2007 and until the Group's BOD reverses the resolution, management decided to stop recognizing interest on equity margin loans by virtue of a board resolution after the Group received requests from its customers for a moratorium on interest charges on equity margin loans. These receivables are secured by certain marketable shares of stock (pledged by certain customers) with a total market value of P617,291,132 and P599,312,276 as of December 31, 2016 and 2015, respectively.

10.02 Due from/to Customers

Due from/to customers pertain to outstanding receivable from/payable to customers and brokers related to the Group's securities trading transactions and are normally settled within three days from transaction date. Receivables are subjected to impairment testing based on the present value of the estimated future cash flows.

10.03 Accounts Receivable

Accounts receivable include a receivable from Kestrel Resources Philippines, Inc. (Kestrel), a third party engaged in purchasing receivables, amounting to P102,467,026 and P104,467,026 as of December 31, 2016 and 2015, respectively, which arose from an Assignment of Receivables Agreement executed between the Group and Kestrel on April 12, 2002. Under the agreement, the amount collected by Kestrel, including accrued interest, shall be payable to the Group on or before December 31, 2006, which date was subsequently extended to December 31, 2017. These receivables represent the balance of an equity margin loan of a previous customer after deducting a partial settlement through a *dacion en pago* arrangement, whereby the original debtor transferred to the Group certain condominium units valued at P65,280,000 (see Note 13.03). Under the terms of the assignment, Kestrel grants the Group a call option on all but not part of the receivables, including uncollected but accrued earnings, which have not been collected at the time of the exercise of the call option. The call option is exercisable by the Group any time prior to November 30, 2016, which was not exercised by the Group in 2016. The exercise price of the call option is equal to the uncollected principal of the receivables. The portion of the receivables already collected prior to the exercise of the call option shall constitute the remaining obligation of Kestrel to the Group, which is payable on or before December 31, 2017. The call option is considered closely related to its host contract since the exercise price on each exercise date is equivalent to the carrying amount of the host contract.

Management is confident that the receivables will be realized and Kestrel will eventually be able to settle its obligations. The Group's management also estimated that the proceeds of the receivables including interest and other charges will be sufficient to recover the carrying amount of the receivables. Impairment loss amounting to P5,000,000 and P10,000,000 (nil in 2015) was recognized in 2016 and 2014, respectively, and is recorded as part of Finance Income (Cost) in the 2016 and 2014 consolidated statements of profit or loss (see Note 20.02). As of December 31, 2016 and 2015, the Company has provided allowance for impairment on receivable from Kestrel totaling P40,000,000 and P35,000,000, respectively. The Company collected P2,000,000 and P9,552,856 in 2016 and 2015, respectively, on these receivables.

10.04 Notes and Interest Receivables

Notes and interest receivables represent unsecured outstanding claims from an individual, which are due upon demand.

11. RELATED PARTY TRANSACTIONS

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2016, 2015 and 2014 is as follows:

		2016		2015		2014	
Related Party Category	Notes	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Related Parties Under Common Ownership or Directorship:							
Management fees	11.01	P 40,000,000	P 42,500,000	P 40,000,000	P 34,000,000	P 40,000,000	P 25,500,000
Lease of properties	11.03	-	-	1,458,915	2,248,469	1,362,485	1,996,650
Employees: Granting (collections) of advances	11.02	(4,851,800)	1,171,418	(545,606)	4,025,220	852,509	6,569,027
Key management personnel – Compensation	11.04	21,172,267	-	19,347,367	-	21,874,643	-
Fair value of plan assets	18.02	-	30,354,328	-	20,191,873	-	13,147,635

All receivables from related parties have been reviewed for indications of impairment. Based on management's assessment, no impairment losses are required to be recognized on these receivables at the end of each reporting period.

11.01 Management Fees

The Group earns management fees from Philippine Gaming Management Corporation (PGMC), an entity under common key management personnel, by virtue of the Management Services Agreement (the Agreement) between the Parent Company and PGMC.

Management fees amounted to P40,000,000 for 2016, 2015 and 2014 are presented as Management Fees in the consolidated statements of profit or loss. Management fees receivable amounts to P42,500,000 and P34,000,000 as of December 31, 2016 and 2015, respectively, and are unsecured, noninterest-bearing and payable in cash upon demand. These receivables are presented as part of Receivables in the consolidated statements of financial position (see Note 10).

11.02 Granting of Advances

The Group grants unsecured loans to employees with interest rates ranging from 6.00% to 12.00% in 2016 and 2015, respectively. Receivables from employees as of December 31, 2016 and 2015 amount to P1,171,418 and P6,023,220, respectively. These are presented as part of Accounts Receivables under the Receivables account in the consolidated statements of financial position (see Note 10.03).

11.03 Lease of Properties

The Group has a lease agreement with Berjaya Pizza Philippines, Inc. (BPPI), a related party under common key management personnel, covering certain office spaces. Rent income recognized by the Group from this transaction amounted to P1,458,915 in 2015 and P1,362,485 in 2014 (nil in 2016), and is included as part of Others under the Income section in the consolidated statements of profit or loss. The outstanding receivable from this transaction amounts to P2,248,469 as of December 31, 2015 (nil as of December 31, 2016), and is included as part of Others under the Receivables account in the consolidated statements of financial position (see Note 10). The outstanding balance of receivable from BPPI is unsecured, non-interest bearing and collectible in cash upon demand.

11.04 Key Management Personnel Compensation

Short-term benefits to key management personnel amounted to P21,172,267, P19,247,367 and P21,874,643 in 2016, 2015, and 2014, respectively.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment, at the beginning and end of 2016 and 2015 are shown below.

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Total
December 31, 2016						
Cost	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]
Accumulated depreciation and amortization	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])
Net carrying amount	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]
December 31, 2015						
Cost	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]
Accumulated depreciation and amortization	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])
Net carrying amount	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]
January 1, 2015						
Cost	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]
Accumulated depreciation and amortization	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])
Net carrying amount	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015, of property and equipment is shown below.

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 38,363,242	P 8,281,004	P 3,587,162	P 2,287,750	P 519,205	P 51,738,382
Additions	4,805,785	3,318,733	-	953,772	48,131	11,094,321
Depreciation and amortization charges for the year	(3,578,151)	(1,632,403)	(1,487,140)	(1,566,168)	(334,413)	(11,728,503)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 33,185,753	P 5,508,331	P 1,890,022	P 1,724,343	P 434,782	P 51,034,038
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 45,041,356	P 9,647,186	P 5,511,432	P 3,855,034	P 1,641,380	P 61,781,088
Additions	-	-	-	1,422,376	338,996	1,850,773
Depreciation and amortization charges for the year	(3,658,154)	(1,365,182)	(2,124,270)	(1,734,211)	(536,562)	(11,055,478)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 38,363,242	P 8,281,004	P 3,587,162	P 2,287,250	P 519,205	P 51,738,382

As of December 31, 2016 and 2015, the cost of fully-depreciated assets that are still used by the Group amounts to P6,198,333.

13. OTHER ASSETS

The breakdown of this account is as follows:

	Notes	2016	2015
Creditable withholding taxes	13.02	P 108,583,958	P 101,661,253
Goodwill	13.01	84,584,951	84,584,951
Deferred oil exploration costs	13.04	15,418,003	15,418,003
Trading right	13.05	1,408,000	1,408,000
Prepayments		384,458	831,789
Investment properties – net	13.03	-	1,382,528
Others	13.03	9,486,766	3,497,618
		219,866,136	208,784,142
Allowance for impairment of goodwill		(49,260,596)	(49,260,596)
Allowance for non-recoverability of deferred oil exploration costs		(15,418,003)	(15,418,003)
		P 155,187,537	P 144,105,543

13.01 Goodwill

Goodwill arose from ACIC's acquisition of a portion of ASC's equity, which pertains to the expected synergy from its stock brokerage business. ACIC's acquisition cost is higher than the fair value of the net assets acquired from ASC. It is subject to annual impairment testing and whenever there is an indication of impairment. Based on the assessment of the Group's management, ASC's continued profitability indicated that no

13.02 Creditable Withholding Taxes

This account represents accumulated income tax credits of the Group that remained unapplied as of December 31, 2016 and 2015. These income tax credits will be applied against future income tax liabilities.

13.03 Investment Properties

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2016 and 2015 are shown below.

	December 31, 2016	December 31, 2015	January 1, 2015
Cost	**P 70,897,472**	P 72,280,000	P 72,280,000
Accumulated depreciation	**(69,002,794)**	(69,002,794)	(68,377,596)
Accumulated impairment losses	**(1,894,678)**	(1,894,678)	(1,894,678)
Net carrying amount	**P -**	P 1,382,528	P 2,007,726

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015 of investment properties is shown below.

	December 31, 2016	December 31, 2015	January 1, 2015
Balance at beginning of year, net of accumulated depreciation and impairment losses	**P 1,382,528**	P 2,007,727	P 6,431,150
Reclassification	**(1,382,528)**	-	-
Depreciation for the year	**-**	(625,199)	(4,423,424)
Balance at end of year, net of accumulated depreciation and impairment losses	**P -**	P 1,382,528	P 2,007,726

There are no direct operating expenses incurred for the investment properties.

The Group's investment properties consist mostly of condominium units. These condominium units located in Nasugbu and Batulao, Batangas were acquired and capitalized by the Group as a result of the dacion en pago arrangement with a major customer in exchange for a partial settlement of the latter's loans (see Note 10.03).

As of December 31, 2016 and 2015, the cost of fully-depreciated investment properties that are still held by the Group for capital appreciation amounts to P65,280,000, after consideration of the related allowance for impairment losses of P1,894,678.

The total estimated fair values of the investment properties based on the latest available appraisal report obtained by the Group amounted to P58,827,000 and P59,969,500 as of December 31, 2016 and 2015, respectively (see Note 5.06).

13.04 Deferred Oil Exploration Costs

Deferred oil exploration costs represent mainly of costs and related expenses incurred in connection with the Group's participation in the exploration of oil under GSEC-57. The Group believes that, while the result of the exploration of the first well indicated that the area covered by the first well may no longer be viable, the potential of the remaining areas is still untested and, thus, future prospects and leads remain valid. In this regard, the consortium applied for its third Non-Exclusive Geophysical Permit which was approved by the Department of Energy on October 31, 1995. The Group's management asserts that the project is still viable and no write-offs have been made by the project proponents. Nonetheless, a full allowance for possible non-recoverability of deferred exploration cost is provided.

13.05 Trading Right

Trading right is assessed as having an indefinite useful life and is carried at cost less accumulated impairment loss. It is tested annually for impairment by comparing its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

As certified by the PSE, the last transacted price of an exchange right is P8,500,000, which was recorded on December 14, 2011; hence, based from the comparison of the trading right's carrying amount of P1,408,000 as of December 31, 2016, and the recoverable amount, the Group's trading right is not impaired.

13.06 Computer Software

The gross carrying amounts and accumulated amortization at the beginning and end of 2016 and 2015 are shown below.

	December 31, 2016	December 31, 2015	January 1, 2015
Cost	P 13,389,323	P 13,389,323	P 13,389,323
Accumulated amortization	(13,389,323)	(13,389,323)	(13,149,750)
Net carrying amount	P -	P -	P 239,573

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015 of computer software is shown below.

	December 31, 2016	December 31, 2015	January 1, 2015
Balance at beginning of year, net of accumulated amortization	P -	P 239,573	P 650,228
Amortization for the year	-	(239,573)	(410,655)
Balance at end of year, net of accumulated amortization	P -	P -	P 239,573

As of December 31, 2016 and 2015, the computer software has been fully amortized but

14. INTEREST-BEARING LOANS AND BORROWINGS

As of December 31, this account consists of:

	2016	2015
Notes payable	P 3,391,593,736	P 2,791,031,353
Bank loans	60,000,000	50,133,471
	P 3,451,593,736	P 2,841,164,824

Notes payable represents short-term unsecured loans from various funders bearing annual interest at rates ranging from 5.00% to 7.00%, 4.50% to 7.00% and 5.00% to 7.00% in 2016, 2015 and 2014, respectively.

The fair values of long-term financial liabilities, if any, have been determined by calculating their present values at the consolidated statements of financial position date using fixed effective market interest rates applicable to the Group. No fair value changes have been included in the consolidated statements of profit or loss as financial liabilities are carried at amortized cost in the consolidated statements of financial position.

The Group's interest bearing loans and borrowings have contractual maturities due within one year from the end of each reporting date.

Interest expense pertaining to these interest-bearing loans and borrowings, which is presented as part of the Finance Costs account in the consolidated statements of profit or loss, amounted to P217,402,584, P184,080,391 and P184,403,786 in 2016, 2015 and 2014, respectively, with related accrued interests of P19,640,191 and P16,812,139, as of December 31, 2016 and 2015, respectively, which are presented as part of Accounts payable and accrued expenses under the Accounts Payable and Other Liabilities account in the consolidated statements of financial position (see Notes 16 and 20.02).

15. DUE TO CUSTOMERS

Due to customers arise from the Group's securities brokerage activities. These are normally settled within three days after the respective trading dates and are all noninterest-bearing. Management considers the carrying amounts recognized in the consolidated statements of financial position to be the reasonable approximation of their fair values. Outstanding balance as of December 31, 2016 and 2015 amounted to P185,916,065 and P201,317,786, respectively.

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	Notes	2016	2015
Accounts payable and accrued expenses	14	P 114,831,628	P 96,915,761
Post-employment defined benefit obligation	18.02	27,593,980	33,129,473
Withholding and other taxes payable		18,001,800	13,626,079
Dividend payable		191,358	28,347
Others		10,120,121	3,146,477
		P 170,738,887	P 146,846,137

Others include other payables to government agencies, customers' deposits, and miscellaneous liabilities arising from the Group's operations.

17. EQUITY

17.01 Capital Stock and Treasury Shares

As of December 31, 2016 and 2015, these accounts consist of:

	Shares	Amount
Capital stock – P1 par value		
Authorized – 1,800,000,000 shares		
Issued shares	1,193,200,000	P 1,193,200,000
Treasury shares – at cost	171,413,600	P 385,670,581

17.02 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Notes	AFS Financial Assets	Post-employment Benefit Obligation	Total
Balance as of January 1, 2016		P 1,852,168,220	(P 9,687,382)	P 1,842,480,838
Remeasurements of post-employment defined benefit obligation	18.02(b)	-	2,174,892	2,174,892
Unrealized fair value gains on AFS financial assets	9	221,477,502	-	221,477,502
Fair value gains on disposed AFS financial assets reclassified to profit or loss	9	(93,425,144)	-	(93,425,144)
Tax expense	21	-	(1,812,014)	(1,812,014)
Other comprehensive gain		128,052,358	362,878	128,415,236
Balance as of December 31, 2016		P 1,980,220,578	(P 9,324,504)	P 1,970,896,074

	Notes	AFS Financial Assets	Post-employment Benefit Obligation	Total
Balance as of January 1, 2015		P 2,026,795,476	(P 11,736,013)	P 2,015,059,463
Remeasurements of post-employment defined benefit obligation	18.02(b)	-	3,099,490	3,099,490
Unrealized fair value losses on AFS financial assets	9	(75,705,489)	-	(75,705,489)
Fair value gains on disposed AFS financial assets reclassified to profit or loss	9	(98,921,767)	-	(98,921,767)
Tax income	21	-	(1,050,859)	(1,050,859)
Other comprehensive gain (loss)		(174,627,256)	2,048,631	(172,578,625)
Balance as of December 31, 2015		P 1,852,168,220	(P 9,687,382)	P 1,842,480,838
Balance as of January 1, 2014		P 2,360,089,037	(P 12,431,914)	P 2,347,657,123
Remeasurements of post-employment defined benefit obligation	18.02(b)	-	537,102	537,102
Unrealized fair value losses on AFS financial assets	9	(15,959,758)	-	(15,959,758)
Fair value gains on disposed AFS financial assets reclassified to profit or loss	9	(317,333,803)	-	(317,333,803)
Tax expense	21	-	158,799	158,799
Other comprehensive gain (loss)		(333,293,561)	695,901	(332,597,660)
Balance as of December 31, 2014		P 2,026,795,476	(P 11,736,013)	P 2,015,059,463

17.03 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group has existing loans with a local bank and various funders. A reasonable level of debt-to-equity is maintained to properly manage the Group's operations. Presented below is the 2016 and 2015 debt-to-equity ratio of the Group:

	2016	2015
Total liabilities	P 3,808,248,688	P 3,189,328,747
Total equity	2,247,558,115	2,121,666,167
Debt-to-equity ratio	1.69:1.00	1.50:1.00

17.04 Capital Requirements for ASC

17.04.01 Minimum Capital Requirement - SEC

On November 11, 2004, the SEC approved memorandum Circular No. 16 which provides for the guidelines on the adoption in the Philippines of the Risk-Based Capital Adequacy (RBCA) Framework for all registered broker dealers in accordance with the Securities Regulation Code. These guidelines cover the following risks:

(a) Position on market risk;

(b) Credit risks such as counterparty, settlement, large exposure and margin financing risks; and,

(c) Operational risks.

ASC monitors capital on the basis of RBCA ratio and Net Liquid Capital (NLC). RBCA requirement is the minimum level of capital that has to be maintained by firms which are licensed, or securing a broker dealer license, taking into consideration the firm size, complexity and business risk. Such risks that are considered in determining the capital requirement include, among others, Operational, Position and Credit Risk (which include counterparty, large exposure, underwriting, and margin financing risks).

RBCA ratio is the quotient of the NLC and the sum of the requirements for operational risk, credit risk and position or market risk. NLC, on the other hand, represents the equity eligible for NLC adjusted for non-allowable current and non-current assets as described under the circular.

In order to maintain or adjust the capital structure, ASC may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Under the guidelines set-out by the SEC, all registered brokers dealers should maintain the following RBCA and NLC requirements:

(a) RBCA ratio of greater than or equal to 1:1.1;

(b) NLC should be at least P5,000,000 or 5.00% of aggregate indebtedness, whichever is higher;

(c) A dealer who deals only with proprietary shares and does not keep shares in its custody shall maintain a net capital of P2,500,000 or 2.5% of aggregate indebtedness, whichever is higher;

(d) In cases where in order to meet an RBCA ratio of at least 1.1, an NLC higher than P5,000,000 is required, the higher NLC shall be maintained; and,

(e) No broker dealer shall permit its aggregate indebtedness to exceed 2000% of its NLC.

As of December 31, 2016 and 2015, ASC is in compliance with minimum capital requirement set out by the RBCA framework. The ASC's RBCA ratio is 221.00% and 209.00% as of December 31, 2016 and 2015

17.04.02 Minimum Capital Requirement – Philippine Stock Exchange's Rules Governing Trading Rights and Trading Participants

On May 28, 2009, the SEC approved PSE's Rules Governing Trading Rights and Trading Participants, which provide among others, the following provisions:

(a) Trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid up capital less any deficiency in the retained earnings account) amounting to P20,000,000 effective December 31, 2009, provided further that effective December 31, 2010 and onwards, the minimum unimpaired paid up capital shall be P30,000,000; and,

(b) Each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all of debts and claims due to the trading participant, the government, PSE and to other trading participants of the PSE and to the Securities Clearing Corporation of the Philippines.

As of December 31, 2016 and 2015, ASC is in compliance with PSE's Rules Governing Trading Rights and Trading Participants.

17.04.03 Retained Earnings Appropriation

Rule 49.1 (B), Reserve Fund of SEC Memorandum Circular No. 16 requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings account. Appropriation shall be 30%, 20% and 10% of profit after tax for broker dealers with unimpaired paid-up capital of between P10,000,000 to P30,000,000; between P30,000,000 to P50,000,000; and above P50,000,000 million, respectively.

No appropriations were made by ASC in 2016 and 2015 since ASC has a deficit amounting to P28,751,967 and P55,680,224 as of December 31, 2016 and 2015, respectively.

17.05 Capital Requirements for ACIC

Under the provisions of Section 8 of Republic Act (RA) No. 8366, an Act amending Presidential Decree No. 129, otherwise known as the Investment Houses Law, ACIC is required to maintain a minimum paid-up capital of P300,000,000.

As of December 31, 2016 and 2015, ACIC is in compliance with minimum capital requirement set out by the RA No. 8366.

17.06 Track Record

On November 17, 1994, the SEC approved the listing of the Parent Company's shares totaling 1,193,200,000. The shares were initially issued at an offer price of P1.00 per share. As of December 31, 2016 and 2015, there are 110 and 111 holders, respectively, of the listed shares equivalent to 100% of the Group's total outstanding shares. Such listed shares closed at P0.73 and P0.74 per share as of December 31, 2016 and 2015, respectively.

18. SALARIES AND EMPLOYEE BENEFITS

18.01 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Note	2016	2015	2014
Salaries and wages		P 36,585,033	P 35,063,762	P 36,522,107
Bonuses		6,648,656	5,790,528	5,442,845
Staff benefits		5,922,116	4,020,040	3,416,547
Retirement benefits	18.02	3,326,510	3,629,134	3,612,994
Social security costs		1,194,730	1,132,525	1,154,577
Other short-term benefits		33,266	51,168	58,218
		P 53,710,311	P 49,687,157	P 50,207,288

18.02 Post-Employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Group maintains a tax-qualified and non-contributory retirement plan that is being administered by a trustee bank covering all regular full-time employees. The plan is partially funded as of December 31, 2016 and 2015. Actuarial valuations are made each year to update the post-employment benefit costs and the amount of contributions. The latest actuarial valuation report of the Group's retirement benefit plan as of December 31, 2016 is dated April 3, 2017.

The normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 100% of latest monthly salary for every year of credited service, and the manner of payment is lump sum.

(b) Explanation of Amounts Presented in the Financial Statements

All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2016. The amounts of post-employment defined benefit obligation recognized and recorded as part of Accounts Payable and Other Liabilities (see Note 16) in the consolidated statements of financial position are determined as follows:

	2016	2015
Present value of the obligation	P 57,848,208	P 53,321,346
Fair value of plan assets	(30,254,228)	(20,191,873)
	P 27,593,980	P 33,129,473

The movements in present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2016	2015
Balance at beginning of year	P 53,321,346	P 52,985,861
Current service cost	3,326,510	3,629,134
Interest expense	2,767,060	2,493,070
Benefits paid	(304,588)	(1,360,897)
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	(787,234)	(498,729)
Experience adjustments	(474,886)	(3,927,093)
	P 57,848,208	P 53,321,346

The movements in the fair value of plan assets are as follows:

	2016	2015
Balance at beginning of year	P 20,191,873	P 12,147,635
Contributions	10,000,000	10,000,000
Interest income	1,279,735	731,467
Remeasurement loss	(912,792)	(1,326,332)
Benefits paid	(304,588)	(1,360,897)
Balance at end of year	P 30,254,228	P 20,191,873

The composition of the fair value of plan assets at the end of each reporting period by category is shown below.

	2016	2015
Unit Investment Trust Funds (UITFs)	P 15,136,191	P 6,737,855
Government bonds	13,257,402	7,571,899
Cash and cash equivalents	1,860,635	5,882,119
	P 30,254,228	P 20,191,873

The fair value of the above debt securities were determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy), while the fair values of UITFs are generally measured based on the net asset value of the investment, computed and determined at the end of each reporting period based on the closing market and trade prices of the securities comprising the fund's portfolio, adjusted for the effect of performance of the funds including all trades made within the funds and the related income and expenses arising therefrom (classified as Level 2 of the fair value hierarchy).

The plan assets earned a gain in 2016 amounting to P366,943 and incurred a loss in 2015 amounting to P594,865.

As of December 31, 2016 and 2015, the plan assets do not comprise any of the Group's own financial instruments and the fund does not own any shares of stock of the Group.

The components of amounts recognized in the consolidated statements profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	2016	2015	2014
Reported in profit or loss:			
Current service cost	P 3,326,510	P 3,629,134	P 3,612,994
Net interest expense	1,487,325	1,761,603	1,902,003
	P 4,813,835	P 5,390,737	P 5,514,997
Reported in other comprehensive income:			
Actuarial gains (losses) arising from:			
Experience adjustments	P 474,866	P 3,927,093	(P 247,790)
Changes in financial assumptions	787,234	498,729	269,121
Remeasurement gain (loss) on plan assets	(912,792)	(1,326,332)	515,771
	349,328	3,099,490	537,102
Tax income (expense)	13,550	(1,050,859)	158,799
	P 362,878	P 2,048,631	P 695,901

Current service cost is recorded as part of Salaries and Employee Benefits in the consolidated statements of profit or loss (see Note 18.01).

Net interest cost is presented under the Finance Costs account in the consolidated statements of profit or loss (see Note 20.02).

Amount recognized in other comprehensive income is included and is presented as item that will not be reclassified subsequently to profit or loss.

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2016	2015	2014
Discount rates	4.77% - 5.38%	4.54% - 5.51%	4.32% - 4.92%
Expected rates of salary increase	8.00%	8.00%	8.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 is 12.4 years and 13.9 years for males and females, respectively, in 2016, and 18.3 years and 16.4 years for males and females, respectively, in 2015. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment defined benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

(i) Interest Rate Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, debt securities, and UITFs. Due to the long-term nature of the plan obligation, a level of continuing debt securities and UITF investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2016			
Discount rate	+/-1%	(P 697,492)	P 765,690
Salary growth rate	+/-1%	610,886	(570,060)
2015			
Discount rate	+/-1%	(P 876,138)	P 950,148
Salary growth rate	+/-1%	665,632	(623,540)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(iv) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2016 and 2015 consists of UITFs and debt securities, although the Group also invests in cash and cash equivalents.

There has been no change in the Group's strategies in managing the related risks from the previous period.

(v) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P27,593,980 based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

Management is yet to assess to the amount of contribution for the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan as of December 31, 2016 and 2015 for the next 10 years are as follows:

	2016	2015
More than one year to five years	P 19,619,648	P 16,795,006
More than five years to 10 years	11,375,379	8,655,824
	P [illegible]	P [illegible]

The weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is 1.27 year.

19. OTHER EXPENSES

This account consists of:

	2016	2015	2014
Philippine Depository and Trust Corp. and clearing fees	P 3,957,586	P 4,631,761	P 5,713,730
Repairs and maintenance	2,633,357	1,029,458	2,220,777
Condominium dues	2,334,629	1,500,964	1,601,944
Office supplies	2,085,869	2,373,322	1,397,640
Insurance	1,404,428	1,573,940	1,772,866
Bank charges	66,181	86,802	208,199
Miscellaneous	1,295,216	2,867,220	2,069,672
	P 13,777,266	P 14,063,467	P 14,984,828

20. FINANCE INCOME (COSTS)

The breakdown of this account is as follows:

20.01 Finance Income

	Notes	2016	2015	2014
Gain on sale of investments	8, 9	P 150,172,425	P 144,437,712	P 396,100,762
Fair value gains on financial assets at FVTPL	8	79,475,778	30,491,273	-
Interest income	7	356,375	245,427	123,179
		P 230,004,578	P 175,174,412	P 396,223,941

20.02 Finance Costs

	Notes	2016	2015	2014
Interest expense	14	P 217,402,584	P 184,080,391	P 184,403,786
Impairment losses	10	5,000,000	-	76,604,671
Net interest cost on post-employment defined benefit plan	18.03	1,487,325	1,761,603	1,902,003
Fair value loss on financial assets at FVTPL	8	-	-	20,727,691

21. TAXES

The components of tax expense (income) reported in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Recognized in profit or loss:			
Regular corporate income tax (RCIT) at 30%	P 10,257,015	P 7,735,726	P 7,684,668
Minimum corporate income tax (MCIT) at 2%	1,561,117	1,692,366	1,856,029
Final tax at 20%	47,708	167,325	1,767,187
Final tax at 0.05%	20,450	-	569,167
	11,886,290	9,595,417	11,877,051
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,176,560	(13,877,691)	(7,242,588)
	P 15,062,850	(P 4,282,274)	P 4,634,463
Recognized in other comprehensive income –			
Deferred tax expense (income) on actuarial gains (losses) on post-employment defined benefit plan	(P 13,550)	P 1,050,859	(P 158,799)

The reconciliation of tax on pre-tax profit (loss) computed at the applicable statutory rate to tax expense is as follows:

	2016	2015	2014
Tax on pre-tax profit (loss)	P 3,461,869	(P 356,895)	P 34,668,362
Adjustments for income subjected to lower income tax rates	(3,404)	(116,255)	(2,242,646)
Tax effects of:			
Non-taxable income	(48,794,019)	(40,255,781)	(94,267,755)
Expiration and write-off of net operating loss carry over (NOLCO) and MCIT	43,321,151	25,680,772	57,114,494
Unrecognized NOLCO	13,335,106	-	-
Non-deductible expenses	2,227,850	3,714,149	4,049,975
Unrecognized deferred tax asset on other temporary differences	1,500,000	7,051,736	6,184,279
Unrecognized MCIT	163,190	-	-
Recognition of previously unrecognized deferred tax assets	(148,893)	-	(872,246)
Tax expense	P 15,062,850	(P 4,282,274)	P 4,634,463

The net deferred tax assets (DTA) as of December 31 relate to the following:

	Statements of Financial Position	
	2016	2015
NOLCO	P 67,447,674	P 67,447,674
Allowance for impairment losses	56,330,199	56,330,199
Accrued retirement benefit obligation	6,345,825	7,237,680
Fair value gain on investments at FVTPL	(6,229,259)	(3,085,412)
Unamortized past service cost	3,007,200	2,134,508
Accrued short-term employee benefits	123,754	123,754
Net deferred tax assets	P 127,025,393	P 130,188,403

	Statements of Profit or Loss		
	2016	2015	2014
NOLCO	P -	(P 12,463,192)	P 18,606,388
Allowance for impairment losses	-	25,098	(18,292,046)
Accrued retirement benefit obligation	905,405	756,698	(136,396)
Fair value gain on investments at FVTPL	3,143,847	(1,676,955)	(6,394,760)
Unamortized past service cost	(872,692)	(519,340)	(1,025,774)
Deferred tax expense (income) – net	P 3,176,560	(P 13,877,691)	(P 7,242,588)

	Statements of Other Comprehensive Income		
	2016	2015	2014
Actuarial gains	P 349,328	P 3,099,490	P 537,102
Deferred tax income (expense)	P 13,550	(P 1,050,859)	P 158,799

The details of unrecognized DTA as of December 31 are summarized below.

	2016		2015	
	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 228,889,341	P 68,576,802	P 164,569,963	P 49,370,989
Allowance for impairment losses	101,558,769	30,467,631	96,558,769	28,967,631
Allowance for non-recoverability of deferred oil exploration costs	15,418,003	4,625,401	15,418,003	4,625,401
Past service cost	6,447,006	1,934,102	4,775,170	1,432,551
Retirement benefit obligation	6,441,238	1,932,371	9,003,873	2,701,162
MCIT	5,109,512	5,109,512	5,863,226	5,863,226
Accrued short-term employee benefits	581,750	174,526	581,750	174,525
	P 364,145,616	P 112,820,344	P 296,770,754	P 93,135,485

The breakdown of NOLCO, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown below.

Year Incurred	Parent	Subsidiaries	Expired Amount	Balance	End of Availment
2016	P 139,744,078	P 25,859,311	P -	P 165,603,389	2019
2015	120,230,619	24,961,526	-	145,192,145	2018
2014	104,594,961	38,024,426	-	142,619,387	2017
2013	78,686,647	22,897,364	101,584,011	-	
	P 443,256,305	P 111,742,627	P 101,584,011	P 453,414,921	

As of December 31, 2016 and 2015, the Parent Company has recognized DTA of P67,447,674 on NOLCO, after writing-off the previously recognized DTA of P24,275,307 on NOLCO incurred in 2013. The DTA on NOLCO incurred in 2013 was written off in 2015 before its expected expiration in 2016, as management determined that the Parent Company would still be in a taxable loss position in 2016. In 2016, management has assessed that the Parent Company may not be able to fully recoup from its taxable loss position within the period from which the Parent Company can utilize its unexpired NOLCO; hence, no DTA on NOLCO incurred in 2016 was recognized.

The Group is subject to the MCIT which is computed at 2% of gross income as defined under the tax regulations, or RCIT at 30% of taxable income, whichever is higher. MCIT which is available for offset against future income tax payable for income tax purposes is as follows:

Year Incurred	Parent	Subsidiaries	Expired Amount	Balance	End of Availment
2016	P 1,397,927	P 163,190	P -	P 1,561,117	2019
2015	1,405,465	286,901	-	1,692,366	2018
2014	1,702,835	153,194	-	1,856,029	2017
2013	1,894,250	420,581	2,314,831	-	
	P 6,400,477	P 1,023,866	P 2,314,831	P 5,109,512	

In 2016, 2015 and 2014, respective taxable entities within the Group claimed itemized deductions in computing for its income tax due.

22. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed as follows:

	Note	2016	2015	2014
Net profit (loss)		(P 3,523,288)	P 3,092,625	P 110,926,742
Divided by the weighted average number of outstanding shares:				
Issued shares	17.01	1,193,200,000	1,193,200,000	1,193,200,000
Treasury shares	17.01	(171,413,600)	(171,413,600)	(171,413,600)
Outstanding shares		1,021,786,400	1,021,786,400	1,021,786,400
Earnings (loss) per share		(P 0.0034)	P 0.0030	(P 0.1086)

As of December 31, 2016, 2015, and 2014, the Group has no outstanding potentially dilutive shares; hence, basic earnings (losses) per share are equal to diluted earnings (loss) per share in the years presented.

23. COMMITMENTS AND CONTINGENCIES

23.01 Legal Claims

The Group is either a defendant or plaintiff in lawsuits and legal actions arising from its various business activities. Management believes that the claims against the Group are either without merit or that the ultimate liability, if any, resulting from lawsuits and legal actions will not materially affect the Group's consolidated financial statements.

23.02 Operating Leases

The Group is a lessor under non-cancellable operating leases covering its condominium units. The leases have a term of two years, with renewal options. The future minimum rentals receivable under these non-cancellable operating leases as of December 31, 2015 amount to P2,724,970 (nil as of December 31, 2016).

Total rentals from these operating leases amounted to P96,429 in 2016, P1,458,915 in 2015 and P1,362,485 in 2014, and are presented as part of Others under the Income section of the consolidated statements of profit or loss (see Note 11.03).

23.03 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations, which are not reflected in the accompanying consolidated financial statements. As of December 31, 2016 and 2015, management is of the opinion that losses, if any, from these events and conditions will not have a material effect on the Group's consolidated financial statements.

COVER SHEET

A	S	O	9	4	0	0	1	4	2	0

SEC Registration Number

FIRST ABACUS FINANCIAL
HOLDINGS CORPORATION AND
SUBSIDIARIES

(Company's Full Name)

E-2901A EAST TOWER PSE CENTER
EXCHANGE ROAD PASIG CITY

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

ATTY. BAYANI K. TAN

Contact Person

02-6678900

Company Telephone Number

1	2		3	1

Month Day

Fiscal Year

SEC Form 17-Q

Form Type

0 6 3 0

Month Day

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC Form 17-Q

QUARTERLY REPORT PURSUANT TO THE SECURITIES REGULATIONS CODE OF THE PHILIPPINES

1. For the quarter period ended : **June 30, 2017**

2. SEC Identification Number : **ASO94-001420**

3. BIR Tax Identification Number : **043-003-507-219**

4. Exact name of the registrant as specified in its charter:
FIRST ABACUS FINANCIAL HOLDINGS CORPORATION

5. **MANDALUYONG CITY, METRO MANILA PHILIPPINES**
Province, Country or other jurisdiction of incorporation

6. **(SEC Use Only)**
Industry Classification Code or Organization

7. Address of principal Office : **Unit E-2902D PSE Center, Exchange Road, Pasig City**

8. Registrant's telephone number, including area code : **(632)-634-51-04/10**

9. Former name, former address, and former fiscal year, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.00 par value	**1,193,200,000 shares**

11. Are any or all these securities listed on the Philippine Stock Exchange?

Yes (x) **No ( )**

12. Check whether the registrant:

(a) has filed all reports required to be filed under Revised Securities Code of the Philippines and 141 of the Corporation Code of the Philippines during the preceding 12 months.

Yes (x) **No ( )**

(b) Has been subject to such filing requirements for the past 90 days.

Yes (x) **No ( )**

PART I – Financial Statements

Item 1. Financial Statements

The consolidated financial statements are filed as part of this form 17-Q, companies included in the consolidation are First Abacus Financial Holdings Corporation (FAFHC, the parent company), Abacus Capital and Investment Corporation, Abacus Securities Corporation and the Vista Holdings Corporation.

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

Financial Highlights
In thousand pesos except for financial ratios

	Period ended June 30		
	2017	**2016**	**% Change Inc. (Dec.)**
Profit and Loss Data			
Revenues	141,847	210,943	(33%)
Total Cost and Expenses	193,194	184,065	5%
Net income (loss)	(23,092)	18,248	(320%)
EBITDA	74,510	134,568	(45%)

	Unaudited June 30, 2017	**Audited Dec. 31, 2016**	**% Change Inc. (Dec.)**
Balance Sheet Data			
Total Assets	6,118,159	6,055,807	(0.1%)
Total Debt	3,913,605	3,808,249	(0.3%)
Total Stockholders' Equity	2,204,553	2,247,558	(0.2%)

The following are the major performance measures that the Company uses. Analyses are employed by comparison and measurement on a consolidated basis based on the financial date on the periods indicated below:

	Unaudited June 30, 2017	**Audited Dec. 31, 2016**
Liquidity:		
Current Ratio	1.47:1	1.50:1
Coverage/Solvency ratios:		
Assets to Equity	2.78:1	2.69:1
Debt to Equity Ratio	1.78:1	1.69:1
Operating Efficiency:	**June 30 2017**	**June 30 2016**
Revenue Growth – Increase (Decrease)	(33%)	(2%)
Profitability – Increase (Decrease)	(320%)	9%

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula
Current Ratio	Current assets/Current liabilities
Asset to Equity Ratio	Assets / Total stockholders' equity
Debt to Equity Ratio	Total liabilities/Total stockholders'
Revenue Growth	Current period total revenues/Prior period total revenues
Net Income(loss) Growth	Current Period Net Income/Prior Period Net Income

The second quarter of 2017 saw a general tempering of expectations as some global institutions, led by the World Bank, adjusted the growth outlook for the country. Most consumption-related indicators posted declines, with exports slipping by 2.5%. Further moderating the momentum prospects were a series of political controversies as well as concerns over the peace and order situation in the country, painfully illustrated by a debilitating attack at the major entertainment center Resorts World and the subsequent drawn-out siege in Marawi that led to the declaration of Martial Law in the island of Mindanao. In addition to local economic and political factors, a hike in the interest rates of the US Federal Reserve further weighed down on the local equities market. The Philippine Stock Exchange index tried to break through the 8,000 level, but failed.

As a direct consequence of the countervailing factors, the performance of the Company for the period saw mixed results. For the second quarter of 2017, Company revenues stood at ₱96.1 million, representing a slight decrease of ₱2.4 million or 2% over the same period last year. Consolidated revenues for the period reached ₱142 million, a decrease of 34% over the ₱211 million realized during the same period last year. However, broker's commission for the quarter was noted at ₱43.8 million, representing an increase of ₱14.4 million from the ₱29.4 million made year-on-year. For the first half of the year total brokers commission increased to ₱73.7 million over the ₱71.4 million realized for the same period last year. During the quarter, the company realized ₱43.7 million on its sale investments in financial assets at fair value through profit and loss, an increase of ₱28.3 million as compared to the ₱23.1 million realized for the same period last year. As of the second quarter, total gains realized from investment of financial assets was noted at ₱62.5 million, a slight decrease of ₱8.1million from last year's ₱70.6 million. During the quarter, a decrease in valuation of our financial assets at fair value through profit and loss was noted at ₱7.8 million as compared to the ₱53.4 million recognized on the same period last year. As of the second quarter of the year, gains in fair value of financial assets reached ₱4.8 million, a material decrease as compared to the ₱68.6 million recognized on the same period last year.

Total costs and expenses during the quarter was noted at ₱98.3 million, an increase of ₱14.9 million from the ₱83 million recorded for the same period last year. Consolidated costs and expenses for the first half of the year were higher at ₱193.2 million as compared to the ₱184 million spent last year. As in the past, a large bulk of operating expenses was allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the second quarter of the year, the company is reporting a consolidated net income of ₱6.2 million, a decrease of ₱4.2 million as compared to the reported ₱10.5 million recognized for the same period last year. For the first half of the year, however, the company is reporting a consolidated net loss of ₱23 million reversing last year's consolidated net income of ₱18.2 million.

During the period under review, there was an increase noted in the total assets amounting to ₱62 million, from ₱6,056 million in December 2016 to ₱6,118 million in June 2016. The increase was brought about by the increase in trade receivables for collection amounting to ₱10.6 million, increase in property, equipment and other assets amounting to ₱42 million, and with the increase in cash as of the period amounting to ₱13 million.

An increase in total liabilities was also noted during the period amounting to ₱105.4 million bringing total liabilities to ₱3,914 million from ₱3,808 million. The increase was brought about by the additional trade payables amounting to ₱112 million, partially offset by the decrease in short borrowings and non-trade payables amounting to ₱5.1 million and ₱1.9 million, respectively.

As of the period under review, there is a decrease noted in stockholders' equity amounting to ₱43million. This was due to the net result of the operation during the period and net effect of valuation of our available for sale financial assets.

The Company marked its 25th year anniversary in 2016. The milestone validated the Company's stature as an enduring company fully committed to fulfilling its vision and mission as a vehicle for prosperity for its various stakeholders. Despite uncertainties in the global and local political environment, the Company remains optimistic about the prospects of the Philippine economy and the local equities market. Consequently, the Company expects better financial performance moving forward on account of continuing efforts to strengthen its core businesses while expanding its service delivery platform. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

PART II – OTHER INFORMATION

The Company and its Subsidiaries have not known of: Any trends, demands, commitments, events or uncertainties that will have a material impact on the company's liquidity; Any trends, events or uncertainties that are reasonably expected to have a material favorable or unfavorable impact on the operations of the issuer; Any significant elements of income and loss that did not arise from the issuer's continuing operations; The Company and its Subsidiaries have no commitments for capital expenditures.

SIGNATURE

Pursuant to the requirements of The Securities Code of the Philippines, this Quarterly Report has been signed by the following directors/officers in the capacities indicated.

By:

PAULINO S. SOO
Chairman and Chief Executive Officer

JACK T. HUANG
President

VICENTE CO CHIEN, JR.
Treasurer

First Abacus Financial Holdings Corp. and Subsidiaries
Consolidated Balance Sheets

ASSETS		(Unaudited) June 30 2017		Audited December 31 2016
Cash	₱	90,760,478	₱	77,919,874
Financial Assets at Fair Value Throug Profit or Loss (Note 5)		973,982,490		970,057,383
Available for Sale Financial Assets (Note 6)		2,390,566,830		2,397,978,166
Receivables (Note 7)		2,287,194,757		2,276,624,252
Property and Equipment (Note 8)		58,660,480		51,014,198
Other Assets (Note 9)		316,993,607		282,212,930
	₱	**6,118,158,642**	₱	**6,055,806,803**

LIABILITIES AND STOCKHOLDERS EQUITY				
Interest-bearing loans and borrowings (Note 12)	₱	3,446,513,983	₱	3,451,593,736
Due to customers (Note 10)		298,257,912		185,916,065
Accounts Payable and Other Liabilities (Note 11)		168,833,474		170,738,887
		3,913,605,370		3,808,248,688
STOCKHOLDERS' EQUITY				
Capital Stock		1,193,200,000		1,193,200,000
Additional Paid In Capital		3,104,800		3,104,800
Treasury stock, at cost (Note 13)		(385,670,581)		(385,670,581)
Changes in fair value of available for sale financial assets		1,951,983,613		1,971,896,074
Deficit		(558,064,559)		(534,972,178)
		2,204,553,272		2,247,558,115
	₱	**6,118,158,642**	₱	**6,055,806,803**

See Notes to Financial Statements

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
June 30, 2017

	2017		2016	
	For the Quarter April - June	Year To Date January - June	For the Quarter April - June	Year To Date January - June
REVENUES				
Commision	₱ 43,818,918	₱ 73,665,357	₱ 29,433,304	₱ 71,390,938
Gain on sale of financial assets	43,659,063	62,489,266	15,326,866	70,613,366
Gain in fair value of financial assets	7,774,588	4,764,839	53,383,747	68,564,393
Management /Underwriting fees	50,000	50,000	150,000	150,000
Interest	144,449	232,069	123,935	216,217
Others	609,665	645,088	7,370	7,659
	96,056,682	**141,846,618**	**98,425,222**	**210,942,573**
COST AND EXPENSES				
Finance Costs	56,089,106	111,128,368	51,665,671	101,312,830
Salaries and wages	12,466,717	23,828,254	7,806,925	21,283,325
Commissions	11,385,607	19,561,411	8,379,889	19,464,719
Taxes and Licenses	3,938,816	9,144,661	3,645,756	8,748,654
Stock and exchange and PCD fees	4,226,660	7,374,015	3,715,395	6,681,305
Depreciation and amortization	3,024,529	5,584,915	2,949,939	6,257,895
Other operating expenses	7,156,101	16,572,167	5,237,860	20,315,826
	98,287,535	193,193,790	83,401,435	184,064,554
INCOME (LOSS) BEFORE TAX	(2,230,853)	(51,347,172)	15,023,787	26,878,019
INCOME TAX (BENEFIT)	**(8,478,069)**	**(28,254,791)**	**4,532,083**	**8,629,614**
NET INCOME (LOSS)	**6,247,216**	**(23,092,381)**	**10,491,704**	**18,248,405**
OTHER COMPREHENSIVE INCOME (LOSS)	-	-		-
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱ 6,247,216**	**₱ (23,092,381)**	**₱ 10,491,704**	**₱ 18,248,405**

First Abacus Financial Holdings Corp. and Subsidiaries
Consolidated Statements of Cash Flows
June 30, 2017

	2017		2016	
	For the Quarter April - June	Year To Date January - June	For the Quarter April - June	Year To Date January - June
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME (LOSS)	₱ 6,247,216	₱ (23,092,381)	₱ 10,491,704	₱ 18,248,405
Adjustments for :	-			
Finance costs	56,089,106	111,128,368	51,665,671	101,312,830
Depreciation and amortization	3,024,529	5,584,915	2,949,939	6,257,895
Fair value gain in value of financial assets	(8,074,588)	(4,764,839)	(53,383,747)	(68,564,393)
Loss (gain) in fair value of financial assets	(43,659,063)	(62,489,266)	(15,326,866)	(70,613,366)
Provision for income tax benefit	(8,478,069)	(28,254,791)	4,532,083	8,629,614
Interest income	(112,305)	(183,854)	40,938	(168,003)
Operating income before working capital changes	5,036,826	(2,071,848)	969,722	(4,897,018)
Net decrease in financial assets at fair value through profit or loss	33,876,895	63,328,998	(5,711,248)	45,047,151
Net decrease in receivables	(90,917,327)	(10,570,505)	(89,099,761)	(357,780,399)
Net increase in accounts payable and accrued expenses	51,924,985	87,053,759	(51,060,807)	160,466,847
Cash provided by (used in) operating activities	(78,622)	137,740,403	(144,902,094)	(157,163,419)
Interest received	112,305	183,854	(40,938)	168,003
Interest paid	(52,607,401)	(87,745,693)	(51,061,666)	(81,369,798)
	(52,573,716)	50,178,564	(196,004,698)	(238,365,214)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in financial assets	(12,280,167)	(12,501,125)	11,855,422	11,855,422
Net (increase) decrease in property and equipment	(10,480,565)	(13,231,196)	(764,560)	(334,001)
Net (increase) decrease in other assets	(9,468,554)	(6,525,887)	(1,212,799)	(7,723,445)
Net cash provided (used in) investing activities	(32,229,286)	(32,258,208)	9,878,063	3,797,976
CASH FLOWS FROM FINANCING ACTIVITIES				
Net loan availments (payments)	63,451,438	(5,079,753)	118,113,991	170,022,067
	63,451,438	(5,079,753)	118,113,991	170,022,067
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(21,351,563)**	**12,840,604**	**(68,012,644)**	**(64,545,171)**
CASH AND CASH EQUIVALENTS, BEGINNING	112,112,041	77,919,874	123,024,114	119,556,641
CASH AND CASH EQUIVALENTS AT THE END	₱ **90,760,478**	₱ **90,760,478**	**55,011,473**	₱ **55,011,473**

First Abacus Financial Holdings Corp. and Subsidiaries
Statements of Changes in Equity
June 30, 2017

	2017				2016			
		For the Quarter April - June		Year To Date January - June		For the Quarter April - June		Year To Date January - June
Capital Stock - P1 par value	₱	-	₱	1,193,200,000	₱	-	₱	1,193,200,000
Authorized - 1,800,000,000 shares								
Issued and Oustanding - 1,193,200,000								
Additional Paid In Capital		-		3,104,800				3,104,800
Treasury Shares		-		(385,670,581)				(385,670,581)
Changes in Value of Financial Assets		(19,912,461)		1,951,983,613		653,955,277		2,047,999,413
Retained Earnings								
Balance beginning		-		(534,972,178)				(531,448,890)
Net Income		6,247,216		(23,092,381)		10,491,704		18,248,405
Balance at the of quarter		6,247,216		(558,064,559)		10,491,704		(513,200,485)
TOTAL EQUITY	₱	**(13,665,245)**	₱	**2,204,553,272**	₱	**664,446,981**	₱	**2,345,433,147**

FIRST ABACUS FINANCIAL HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

1. CORPORATE INFORMATION

First Abacus Financial Holdings Corporation (the "Parent Company") was incorporated in the Philippines and has substantial investments in the following subsidiaries, all of which are incorporated in the Philippines:

	Percentage of Ownership	
	June 30, 2017	Dec. 31, 2016
Abacus Capital and Investment Corp.	**100**	100
Abacus Securities Corporation	**100**	100
Vista Holdings Corporation	**100**	100

The Parent Company and its subsidiaries (the "Group") are primarily involved in investment banking, management advisory services and securities brokerage. The Parent Company's shares of stock are listed at the Philippine Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.01 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statements of comprehensive income separate from the consolidated statements of profit or loss.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.02 Adoption of Amended PFRS

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on January 1, 2016:

PAS 1 (Amendments) : Presentation of Financial Statements – Disclosure Initiative

PAS 16 and PAS 38 (Amendments) : Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization

PAS 16 and PAS 41 (Amendments) : Property, Plant and Equipment, and Agriculture – Bearer Plants

PFRS 10, PFRS 12 and PAS 28 (Amendments) : Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception

Annual Improvements : Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding pages are relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative.*
The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the materiality principle applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. These further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment,* and PAS 38 (Amendments),

Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.

The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. On the other hand, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economicbenefits embodied in the asset.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment,* and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Venture – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries. In addition, PFRS 12 has been amended to clarify that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.

(v) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group:

• PAS 19 (Amendments), *Employee Benefits: Discount Rate – Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for postemployment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

• PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset.

(b) Effective in 2016 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments) : Separate Financial Statements – Equity Method in Separate Financial Statements

PFRS 11 (Amendments) : Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

PFRS 14 : Regulatory Deferral Accounts

Annual Improvements to

PFRS (2012-2014 Cycle)

PAS 34 (Amendments) :	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"
PFRS 5 (Amendments) :	Non-current Assets Held for Sale and Discontinued Operations – Changes in Method of Disposal
PFRS 7 (Amendments) :	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). It requires an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, the amendments suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and,(b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for*

Unrealized Losses (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

• three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

• an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

• a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements, which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018).

This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(v) PFRS 16, Leases (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance an operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in the Group's consolidated financial statements.

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.03 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its wholly owned subsidiaries (ACIC, ASC and VHC) after elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

2.04 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.05 Business Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately, as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment's profit or loss.

2.06 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments:*

Presentation. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets relevant to the Group is as follows:

(i) Financial Assets at FVTPL
This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

The Group's financial assets categorized as loans and receivables are presented as Cash and Receivables in the consolidated statement of financial position. Cash includes cash on hand and bank deposits which are unrestricted as to withdrawal.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed equity securities and club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed.

The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of profit or loss. Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.07 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement 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 assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.08 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Condominium units 15-25 years
Building improvements 5 years
Transportation equipment 5 years
Computer equipment 3-5 years
Furniture, fixtures and equipment 3-5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year the item is derecognized.

2.09 Investment Properties

Investment properties (recognized under Other Assets), accounted for under the cost model, are properties held either to earn rental or for capital appreciation or both, but not for sale in the ordinary course of business, use for rendering of services or for administrative purposes.

Investment properties are initially recognized, subsequently measured, and derecognized in the estimated useful life of the assets of 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.10 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events.
They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.11 Intangible Assets

Intangible assets include goodwill, trading right and acquired computer software licenses (presented as part of Other Assets account in the consolidated statement of financial position). The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

(a) Goodwill

Goodwill represents the excess of the acquisition cost of the investment over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Goodwill is carried at amortized cost up to the date of transition to PFRS, less any impairment in value. Goodwill is subject to annual test for impairment whether there is an objective evidence of impairment or not.

(b) Trading Right

Trading right represents the value of the exchange seat, which allows the Group to trade in the PSE. Trading right is assessed as having an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses.

(c) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years, as these intangible assets are considered finite. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

2.12 Deferred Oil Exploration Costs

The Group made certain investments in oil exploration projects. The cost of exploration relating to service contract or block area which is still in the exploratory stage are capitalized as Deferred oil exploration costs (shown under the Other Assets account in the consolidated statement of financial position). When a service contract or block area is permanently abandoned, the related deferred oil exploration cost is written off. Service contracts or block areas are considered not permanently abandoned if the service contracts have not yet expired and/or there are ongoing negotiations for further exploration. The carrying amount of the capitalized deferred oil exploration costs is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

2.13 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, deferred oil exploration costs, goodwill, computer software, trading right and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with an indefinite useful life such as goodwill and trading right are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except goodwill and trading right, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Impairment losses recognized on goodwill are not reversed.

2.14 Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings, due to customers, and accounts payable and other liabilities (excluding certain accounts within accounts payable and accrued expenses, post-employment defined benefit obligation, and tax-relatedpayable).

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense under the caption of Finance Costs in the consolidated statement of profit or loss. Interest-bearing loans and borrowings are obtained to support the short-term to long-term funding needs of the Group. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Due to customers, and accounts payable and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities of more than one year, less settlement payments.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the consolidated profit or loss.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation,based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit obligation.

Deficit represents all current and prior period results of operations as reported in the consolidated statement of profit or loss.

2.18 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) Rendering of services (commissions, underwriting fees, financial and management advisory fees) – Revenue is recognized when contractually agreed tasks have been substantially rendered.

(b) Gain on sale of investments – Revenue is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities).

(c) Interest – Revenue is recognized as the interest accrues taking into account the effective yield on the assets.

(d) Rental – Revenue is recognized on a straight line basis over the lease term.

Costs and expenses are recognized in the consolidated statement of profit or loss upon utilization of services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for borrowing costs capitalized as part of the cost of any qualifying asset.

2.19 Securities Transactions

Securities transactions (and related commission income and expense, if applicable) are recorded on a transaction date basis.

2.20 Leases

The Group accounts for its leases as follows:

(a) Group as lessee – Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as lessor – Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated statement of profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.21 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates, which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

2.22 Employee Benefits

The Group provides benefits to employees through a defined benefit plan, defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified and non-contributory.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets(excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as social security system. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included as part of Others under the Accounts Payable and Other Liabilities account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.23 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.24 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.25 Earnings (Loss) Per Share

Earnings (loss) per share is determined by dividing consolidated net profit (loss) by the weighted average number of common shares issued and outstanding during the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.01 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the judgments discussed in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements either as a lessor or lessee.

Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has determined that its current lease agreements are under operating leases.

(c) Distinction between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between Provisions and contingencies.

3.02 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Useful Lives of Property and Equipment, Investment Properties and Computer Software

The Group estimates the useful lives of property and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and legal or other limits on the use of the assets.

(b) Impairment of Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the

(c) Valuation of Financial Assets other than Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect the consolidated profit and loss and other comprehensive income.

In 2017 and 2016, most of the Group's financial assets measured at fair value are valued using price quoted in an active market.

The carrying values of the Group's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 5.

(d) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of March 31, 2017 and December 31, 2016 are disclosed in Note 9.

(e) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's post-employment defined benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

(g) Fair Value Measurement for Investment Properties

The Group's investment properties are composed of condominium units carried at cost at the end of the reporting period. The fair value of investment properties, as disclosed in Note 13.03, is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behaviour of the buying parties. A significant change in these elements may affect prices and the value of the assets.

4. SEGMENT INFORMATION

The group's operating business are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The following tables present revenues and profit information regarding industry segments for the years ended June 30, 2017 and December 31, 2016 and certain assets and liabilities information regarding industry segments at June 30, 2017.

June 30, 2017

	Securities Brokerage	Investment Banking	Leasing	Elimination	Group
Revenues:					
External	**114,722,612**	**21,273,828**	**5,850,179**	**-**	**141,846,619**
Inter-segment	**-**	**11,421,472**	**4,063,632**	**(15,765,104)**	**-**
Total revenues	**114,722,612**	**32,695,300**	**9,913,811**	**(15,765,104)**	**141,846,619**
Expenses					
External	**(56,401,027)**	**(115,480,584)**	**(21,312,179)**	**-**	**(193,193,790)**
Inter-segment	**(15,485,104)**	**-**	**-**	**(15,765,104)**	**-**
Total expenses	**(71,886,131)**	**(115,480,584)**	**(21,312,179)**	**(15,765,104)**	**(193,193,790)**
Operating Income	**42,836,482**	**(52,351,711)**	**(11,398,369)**	**-**	**(51,347,172)**
Net income	**42,836,482**	**(57,950,005)**	**(7,978,858)**	**-**	**(23,092,381)**
Segment assets	**2,161,649,011**	**5,603,830,602**	**805,888,769**	**(2,453,209,741)**	**6,118,158,642**
Segment liabilities	**1,754,483,020**	**3,188,735,829**	**603,250,810**	**(1,632,864,289)**	**3,913,605,370**

December 31, 2016

	Securities Brokerage	Investment Banking	Leasing and Others	Elimination	Group
Revenues:					
External	213,309,721	133,972,187	74,357,297		421,639,205
Inter-segment	80,256	36,869,800	8,282,016	(50,820,133)	(5,588,061)
Total revenues	213,389,977	170,841,987	82,639,313	(50,820,133)	416,051,144
Expenses					
External	128,495,182	236,727,727	39,288,673		404,511,582
Inter-segment	44,634,105	1,164,060	-	(45,798,165)	-
Total expenses	173,129,287	237,891,787	39,288,673	(45,798,165)	404,511,582
Operating income	**40,260,690**	**(67,049,800)**	**43,350,650**	**(5,021,968)**	**11,539,562**
Net Profit (Loss)	**26,928,259**	**(68,517,910)**	**43,088,331**	**(5,021,968)**	**(3,523,288)**
Segment assets	804,813,727	5,484,674,256	738,806,253	(972,487,433)	6,055,806,803
Segment liabilities	440,484,216	2,991,717,019	528,189,436	(152,141,983)	3,808,248,688

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group's financial assets at FVTPL are composed of equity securities with a total fair value amounting to ₱973,982,490 and ₱970,057,383 as of June 30, 2017 and December 31, 2016.

Equity securities included investments in shares of stock of publicly listed entities which are held for trading purposes. These shares are carried at fair value as determined directly by reference to published price quoted in an active market. For investments in shares of stock of publicly-listed entities, which are suspended for trading as of the end of the reporting period, the last transacted price before the suspension was used in the determination of their fair value.

The gain on sale of financial assets at FVTPL amounted to ₱62,489,266 in June 30, 2017 and ₱150,172,425 in December 2016. These are presented as part of Gain on Sale of Investments in Financial Assets.

6. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets pertain to investment in the shares of stock of the following:

	June 30, 2017	December 31, 2016
At fair value :		
BCor	₱2,376,037,995	₱2,383,449,331
Others- Club shares	6,180,000	6,180,000
	2,382,217,995	2,389,629,331
At cost:		
Universal Rightfields Prop.	144,910,130	144,910,130
Metro Pacific Corporation	10,697,669	10,697,669
Philippine Central Depository	22,800	22,800
Others	3,000,000	3,000,000
	158,630,599	158,630,599
Allowance for impairment	**(150,281,764)**	(150,281,764)
	8,348,835	8,348,835
	₱2,390,566,830	**₱2,397,978,166**

The fair values of available for sale financial assets carried at fair value have been determined directly by reference to published prices in an active market.

7. RECEIVABLES

This account consists of:

	June 30, 2017	December 31, 2016
Customers/brokers	**₱1,555,201,098**	₱1,518,388,751
Equities Margin and other loans	**580,008,482**	631,010,178
Accounts receivable	**231,890,462**	184,470,924
Notes receivable	**71,612,364**	77,585,266
Interest receivables	**65,141,629**	65,141,629
Management fee receivable	**55,356,800**	42,500,000
Others	**20,739,048**	9,022,665
	2,579,949,884	2,565,950,355
Allowance for impairment losses	**(292,755,128)**	(289,326,103)
	₱2,287,194,757	₱2,276,624,252

8. PROPERTY AND EQUIPMENT

This account consists of Condominium Units, Computer Equipment, Leasehold Improvements, Transportation Equipment, and Furniture and Fixtures. As of June 30, 2017 and December 31, 2016, Property and Equipment amounted to ₱58.7 million and ₱51 million, respectively (net accumulated depreciation).

9. OTHER ASSETS

The breakdown of this account follows:

	June 30, 2017	December 31, 2016
Deferred tax assets – net	**₱157,396,523**	₱127,025,393
Creditable withholding taxes	**109,762,922**	108,583,958
Goodwill	**84,584,951**	84,584,951
Deferred oil exploration costs	**15,418,003**	15,418,003
Prepayments	**9,124,486**	384,458
Trading right	**1,408,000**	1,408,000
Others	**3,977,320**	9,486,766
	381,672,206	219,866,136
Allowance for impairment of goodwill	**(49,260,596)**	(49,260,596)
Allowance for non-recoverability of deferred exploration cost	**(15,418,003)**	(15,418,003)
	₱316,993,607	₱282,212,930

10. DUE TO CUSTOMERS

Due to customers arise from the Group's securities brokerage activities. These are normally settled within three days after the respective trading dates and are all non-interest bearing. Management considers the carrying amounts recognized in the consolidated statements of financial position to be reasonable approximation of their fair values. Outstanding balances as of June 30, 2017 and December 31, 2016 amount to **₱298,257,912** and ₱185,916,065 respectively.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account represents the company's current liabilities and payables to trade creditors, clients, pension liabilities, and the accrual of expenses such as interest, taxes, commissions and bonuses.

	June 30, 2017	December 31, 2016
Accounts Payable and accrued expenses	**₱114,130,243**	₱114,831,628
Post-employment defined benefit obligation	**27,593,980**	27,593,980
Taxes Payable	**-**	18,001,800
Dividends payable	**-**	191,358
Others	**27,237,502**	10,120,121
	₱168,833,474	₱170,738,887

12. INTEREST BEARING LOANS AND BORROWINGS

Loans payable consists of short-term borrowings obtained from local banks and short-term notes payables from various funders. Short-term borrowings bear interest at rates ranging from 4.5% to 6.75% in 2017 and from 4.5% to 7.0% in 2016.

13. TREASURY SHARES

Treasury shares pertain to the Company's stock held by ACIC (Abacus Capital and Investment Corp.) and VHC (Vista Holdings Corp.) at cost.

14. FINANCIAL RISK DISCLOSURE

The Group is exposed to a variety of financial risks which result from both its operating, financing and investing activities. The risk management activities at the level of each company in the Group is coordinated with the Parent Company, in close cooperation with the Board of Directors(BDO), and focuses on actively securing the Group's short-to-medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

Interest Rate Risk

The Group has no significant exposure to changes in market interest rates as most of its short-term financial assets and liabilities are non-interest bearing and its bank loans have fixed annual interest rates.

Foreign Currency Risk

Foreign currency risk arises from potential losses from the changes in the exchanges rates of the Group's foreign currency denominated assets and liabilities.

The Groups seek mitigate the effect of its foreign currency exposure by limiting its foreign currency transactions to the extent possible. The Group does not enter into forward contracts or hedging transactions.

The Group's United States (US) dollar-denominated financial instruments, pertains only to cash in bank, translated into Philippine pesos at the closing rates, amounting to **₱187,268** in June 30, 2017 and **₱186,451** in December 2016.

The exchange rate used are ₱50.466:US$1 as of June 30, 2017 and ₱49.813:US$1 as of December 31, 2016 .

Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated balance sheets (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below:

	2017	**2016**
Cash in bank	₱ 90,655,478	₱ 77,919,874
Receivables-net	2,287,194,757	2,276,624,252
	₱2,377,850,235	**₱2,354,544,126**

The Group continuously monitors defaults of customer and other counterparties, identified either individual or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

As part of group policy, bank deposits and short-term placements are only maintained with reputable financial institutions. For the determination of credit risk, cash do not include the cash on hand amounting ₱105,000 as of June 30, 2017. The Group's cash in bank is covered by a maximum insurance of P250,000, representing insurance coverage in the depository bank of the Group, as provided for under RA No.9302, Charter of Philippine Deposit Insurance Corporation.

Certain receivables of the Group are partially secured by borrowers' collaterals and customer' stocks traded in the PSE that are held by the Group. Other Financial assets are not secured by collateral or other credit enhancements.

Management believes that the amount of the past due or individually impaired receivables, which is shown net of allowance, are still recoverable as the Group's management has regular communication with the debtors for the settlement of the receivables.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity Risk

The group manages its liquidity needs by carefully monitoring schedules debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by the Group's ability to sell long-term financial assets.

Other Market Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at fair value through profit and loss and available for sale financial assets). It manages its risk arising from the changes in market price by monitoring the changes in the market price of the investments.

15. CONTINGENCIES

As of June 30, 2017, there are no pending claims and legal actions by third parties against or involving the Company and its subsidiaries arising from the normal course of business which are not reflected in the accompanying financial statements. In the opinion of the Company's management, as of June 30, 2017, liabilities arising from these claims, if any, would not have a material effect on the Company and its subsidiaries. Any liability or loss arising therefrom would be taken up by the Company and its subsidiaries when the final resolution of the claims and actions are determined.

FIRST ABACUS FINANCIAL HOLDINGS CORP AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2017

1. Aging of Accounts Receivable

Type of Receivable	Total	Current			Past Due
		3 days - 1 mo.	2 - 6 Months	7 Mos. - 1 Year	Over One Year
Customers/Brokers/ Clearing house	1,574,470,500	1,564,835,799	-	-	9,634,701
Equity margin loans	580,008,482	-	50,000,000	348,446,824	181,561,658
Notes and interest receivables	349,375,051	-	-	247,816,282	101,558,770
Management fee receivable	55,356,800	-	55,356,800	-	-
Others	20,739,051	-	20,739,051	-	-
Total	2,579,949,885	1,564,835,799	126,095,851	596,263,106	292,755,128
Less Allowance for doubtful accounts	292,755,128	-	-	-	292,755,128
Accounts Receivable, June 30, 2017	**2,287,194,757**	**1,564,835,799**	**126,095,851**	**596,263,106**	**0**

2. Accounts Receivable Description

Type Receivable
Loans receivable
Short- term loans granted to Individuals and Corporations.
Customers/brokers
Related to stock broking transactions
Clearing House
Related to stock broking transactions
Others
Various receivables like Advances to employees, suppliers and the like.