COVER SHEET

A S O 9 4 0 0 1 4 2 0

S.E.C. Registration Number

F I R S T A B A C U S F I N A N C I A L

H O L D I N G S C O R P O R A T I O N A N D

S U B S I D I A R I E S

(Company's Full Name)

E-2 9 0 4 A E A S T T O W E R P S E C E N T E R

E X C H A N G E R O A D P A S I G C I T Y

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

ATTY. A. FRANCESCA A. RESPICIO

Contact Person

667-8900

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

SEC FORM SEC 17-A

Form Type

Dec. 31, 2017

Month Day

Annual Meeting

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-A (Annual Report)

1. For the year : **December 31, 2018**

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. **Pasig City, Philippines**
   Province, Country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

7. **Unit –E2904A PSE Center, Exchange Road, Pasig City** 1605
   Address of the principal office Postal Code

8. Registrant's telephone number, including area code
   (+632)-6678900

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

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

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 by Section 17 of the Securities Regulation Code(SRC) and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes (x) No ( )

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

    Yes (x) No ( )

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of **March 31, 2019** : **₱601,814,854 :**

a) Total number of shares held by non-affiliates as of **March 31, 2019** : **872,195,440** shares

b) Closing price of the Registrant's shares on the Exchange
As of March 31, 2019 : P0.69

c) Aggregate market price (a x b) as of
As of March 31, 2019 : **₱601,814,854.**

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENT PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the SRC subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ( ) No ( ) (Not Applicable)

DOCUMENTS INCORPORATED BY REFERENCE

None

TABLE OF CONTENTS

		Page #
PART I.	**BUSINESS AND GENERAL INFORMATION**	
Item 1.	**Business**	**5**
Item 2.	**Properties**	**10-11**
Item 3.	**Legal Proceedings**	**11**
Item 4.	**Submission of Matters to a Vote of Security Holders**	**11**
PART II.	**OPERATIONAL AND FINANCIAL INFORMATION**	
Item 5.	**Market for Registrant's Common Equity and Related Stockholders Matters**	**11**
Item 6.	**Management's Discussion and Analysis or Plan of Operation**	**12-17**
Item 7.	**Financial Statements**	**18**
Item 8.	**Changes in and Disagreements with Accountants and Financial Statements**	**18**
PART III.	**CONTROL AND COMPENSATION INFORMATION**	
Item 9.	**Directors and Executive Officers of the Registrants**	**19- 21**
Item 10.	**Executive Compensation**	**22**
Item 11.	**Security Ownership of Certain Beneficial Owners and Management**	**24**
Item 12.	**Certain Relationships and Related Transactions**	**25**
PART IV.	**CORPORATE GOVERNANCE**	**26**
PART V.	**EXHIBITS AND SCHEDULES**	**26**
Item 13.	**a.) Exhibits**	
SIGNATURES		**27**
STATEMENT OF MANAGEMENT'S RESPONSIBILITY		
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES		
INDEX TO EXHIBIT		

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. 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 like wise 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. In 2008, the Company applied P90,000,000 of its deposit for future stock subscription to paid in capital as payment for the remaining subscriptions for the same amount.

Subsidiaries

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 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 **2018,** Abacus Securities Corporation ranked 17th 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. The acquisition of condominium units was put on hold, as property market has not significantly improved.

The Contribution of each services or line of business

		Amounts (In mio)
Commissions	₱	144,078,743
Finance Income		90,775,179
Management fees		30,000,000
Other revenues		20,781,435
	₱	**285,635,357**

Competition

The direct competitors of the Company and its subsidiaries are companies engaged in stock brokering business and are members of the Philippine Stock Exchange; companies engaged in investment banking, financial and management services, and treasury operations; companies and individual owners of condominium units within the area of Ortigas Center, as properties are located in the Philippine Stock Exchange Center Condominium. The indirect competitors of the Company and its subsidiaries are Financing Institution, Growth Funds, Pension and Pre-need companies.

As to the stock brokerage business segment, the Company and its competitors cater the requirements of both institutional and retail clients of our local stock and financial market. In 2013, a total of Php926.4 trillion were traded or done through the local bourse which were divided among the foreign and local brokers. The total value turnover or total amount of value traded are considered the total size of the registrant and its competitors which broker commissions are generated.

The registrant and its competitors almost offering the same services and strengths. Most of the brokerage and financial houses are fully capitalized, offering services for the needs of the institutional and retail clients, they all have created and established a good backroom support, established a good internal and financial control systems. Just recently, numbers of stock brokerage houses have launched an online trading facility to attract more investors and to give investors the easy access of the trading facility, and to keep them abreast with the local and financial market. Long before competitors have applied, focused and established themselves to catch up with the requirements to be a full-fledged financial and brokerage company, the registrant has long pioneered and can rightfully say was the first to institute those strengths.

The consistent exemplary performance comes as a result of the company's steadfast commitment to deliver the best value to customers through professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

The Company is now positioned to best serve the expanding domestic equities market. Its branches are now strategically located in Binondo, Cebu and Davao to support the Company's Head Office operations.

Customers

The Company's market for its financial products and services include both retail and institutional customer base. No data is available for brokers commission contributed by foreign nationalities as to the regional market. It must be noted that brokers commissions derived from the marketable securities were all transacted through the Philippine Stock Exchange.

The market for the Company's property development and leasing is primarily the upper income level market.

The Company and its wholly owned subsidiaries are not dependent upon a single customer or few customers. The Company and its subsidiaries do not have a customer that has over 20% or more of the Company's turnover.

Distribution methods of the product services

The Company and its subsidiaries distribute its services to its clientele by or through:

- Certified Sales Representatives (CSRs) are licensed by the Securities and Exchange Commission to transact for the accounts of the clients of our stock broking business.

- Corporate Finance Group is composed of our top caliber professionals in charge in our investment banking, management and financing activities.

- Our brokerage house has just opened its online trading facility for its existing and prospective clients. With the new online trading scheme, our clients can already view their portfolios online, trade their accounts, view their transactions online using their mobile phones, tablets and desktops.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts.

- License granted by the Securities and Exchange Commission (SEC) to Abacus Capital & Investment Corp. as an Investment House.
- License granted to Abacus Securities as a broker and dealer of Securities which is renewable every year

Aside from the above licenses granted, the registrant and its subsidiaries have no pending applications that need for any government approval.

<u>EMPLOYEES</u>

<u>As of December 31, 2018, the Company and it operating subsidiaries employ 72 permanent employees</u>.

Type Employees	# of Employees	No. of Additional Employees for Ensuing 12 Mos. *	Collective Bargaining Agreement(CBA)	Supplemental Benefits or other incentives
Operations	30	2	N/A	None
Corporate Finance	4	0	N/A	None
Administrative	8	None	N/A	None
Sales	21	2	N/A	None
Accounting & Finance	9	0	N/A	None
Total	72	4		

For the past three years, the Company and its subsidiaries have not experienced any strike or threat of strike from its employees.

Government Approval of Principal products or Services

No existing application needs for government approval

Amount Spent for Research and Development Activities

None

Cost and effects of Compliance with Environmental Laws

Not Applicable

Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating 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, and focuses on actively securing the Group's short-to-medium cash flows by minimizing the exposure to financial markets. Long-term financial instruments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Item 2. Properties

The following properties are in prime condition directly owned by the Company and its subsidiaries:

Approximately 110 square meters of office space located at Federal Towers, Binondo (through Vista Holdings Corporation). The unit is being occupied by a subsidiary, Abacus Securities Corporation. The lease agreement was renewed for two (2) years and will expire December 31, 2019. The monthly rental is Seventy Eight Thousand Seven Hundred Ten and 02/100 (₱78,710.02).

Approximately 940 square meters of office space located at the 29th Floor of the East Tower of the Philippine Stock Exchange Center (through Vista Holdings Corporation). The unit is being leased by a subsidiary, Abacus Securities Corporation, for a period of two (2) years. The lease agreement will end December 31, 2019 with a monthly rental of Six Hundred Seventy Two Thousand Six Hundred Twelve and 86/100 (₱672,612.86).

Approximately 483 square meters of office space located at the 29th Floor of the East Tower of the Philippine Stock Exchange Center (Direct).

All properties, as stated above, are owned by First Abacus Financial and its wholly owned subsidiaries. The company has no intention of acquiring/leasing additional properties.

Item 3. Legal Proceedings

The Company is not aware of any material proceeding involving the issuer and its directors, executive officers, underwriter or control person during the past five (5) years.

Item 4. Submission of Matters to Vote of Security Holders

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of 2018.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's common equity and related stockholder matters

1) 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	2018		2017		2016	
	High	Low	High	Low	High	Low
First Quarter	0.72	0.64	0.74	0.65	0.73	0.63
Second Quarter	0.69	0.62	0.79	0.69	0.73	0.63
Third Quarter	0.68	0.61	0.69	0.65	0.78	0.63
Fourth Quarter	0.72	0.54	0.73	0.65	0.75	0.64

During the first quarter of 2019, the issue's highest price per share was at ₱0.70 and its lowest was at ₱0.58. As of the close of trading hours of March 31, 2019, the price at which the Registrant's shares were traded at ₱0.69 per share.

2) Holders

The number of *common shares* issued and outstanding as of March 31, 2019 was 1,193,200,000. As of March 31, 2019, Registrant had 101 shareholders, on the said date the following were the top 20 shareholders:

	Stockholder	Nationality	No. of Shares	%
1	PCD Nominee Corp. – Filipino	Filipino	845,733,000	70.88
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 Investments & Securities Corp	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 Investment Securties Corp	Filipino	500,000	0.04
19	Co Chien, Vicente T. Jr.	Filipino	400,000	0.03
20	Lim, Francisco &/or Dulce	Filipino	304,000	0.03

3) Dividends

No dividends, neither in cash nor stock were declared on the shares for the last two (2) fiscal years, i.e. 2018 and 2017. 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.

4) Recent sales of Unregistered Securities

No unregistered securities or shares of the Company were sold during the last three (3) years (2018, 2017, and 2016).

Item 6. Management's Discussion and Analysis or Plan of Operation

2018

General Business Environment

Although the growth of the Philippine economy remained among the fastest in Asia, the country's GDP grew at a slower pace in 2018. The year's fourth quarter GDP was noted at 6.1 percent, slightly higher than the 6 percent rate in the third quarter, but weaker than the 6.5 percent pace marked in the same period in 2017. Full-year economic expansion was at 6.2 percent, slower than the 6.7 percent made in the previous year, and way below the government's revised target of 6.5 to 6.9 percent. Runaway inflation, most significantly the unprecedented rise to a decade-high 6.7 percent in the third quarter, was a major aggravating factor as it pushed up prices and, consequently, reduced household consumption and other related spending. Agriculture posted the slowest growth as a string of typhoons and structural problems in irrigation and importation triggered a steep drop from 4 percent annual growth in 2017 to less than 1 percent in 2018. Manufacturing likewise posted a slowdown as business sentiment remained bearish. On the plus side, the service sector sustained its momentum at 6.6 percent growth, accelerated by the government's Build, Build, Build Program. The weaker performance of the economy, exacerbated by other external factors such as the US/China trade dispute and increasing US interest rates, weighed heavily on the performance of the local capital market. The Philippine Stock Exchange composite index fell 12.76 percent in 2018, and the exodus of foreign money continued unabated until the last month of the year.

Performance of the Company

The Company's gain on sale of financial assets for 2018 was noted at Php91.7 million, representing a decrease of Php193 million from the Php284 million it made in 2017. The decrease in gain on sale of financial assets was partly due to the adoption of new standard requiring that gain on sale of financial assets through other comprehensive income goes directly to the retained earnings or the equity section of the balance sheet and not to be presented in the profit and loss. A total gain on sale on financial assets totaling to Php87 million was reclassed to the company retained earnings to conform to the new standards. The company generated a total of P30 million in management fees in 2018. In addition, the Company's brokerage business reported a total commission of Php144 million during the year, representing a decline of Php12.3 million as compared to the Php156 million recorded last year.

All considered, consolidated revenues for the year stood at Php286 million, a decrease of Php188 million from last year's Php474 million.

Total costs and expenses for the year was noted at Php632 million, representing an increase of Php180 million from last year's Php452 million. The increase in total costs and expenses was brought about by increased finance costs during the year amounting to Php267 million, up by Php24 million from last year's Php243 million, the effect of the lower valuation of financial assets through profit and loss amounting to Php103 million, and additional provisions to comply with the adoption of new standard amounting to Php40 million. Our newly established online trading platform for our stockbroking business contributed directly to the increase in the company's cost and expenses. Debt servicing continued to comprise a large chunk of the Company's operating expenses in keeping with our commitment to honor obligations. Since the Company is managing for the long term, additional costs and expenses were made towards strengthening the online stock trading system platform which was launched in 2017. The Company is very optimistic that the cost and effort it has put into strengthening its digital presence, initially by expanding its online trading platform, will yield rewards in a very near term, in addition to ensuring its long-term sustainability.

In summary, the company is reporting a consolidated net loss of Php394 million for the year, representing a decline from the Php19.4 million noted in the previous year.

For the period under review, there was a decrease in total assets amounting to Php918 million, from Php6,084 million in December 2017 to Php5,167 million in December 2018. The decrease in total assets can be attributed to the decrease in the group's accounts receivable amounting to Php305 million from last year's Php2,876 million to this year's Php2,570 million, and the decrease in valuation of Financial Assets at Fair Value Through Profit and Financial Assets at Fair Value Through Other Comprehensive Income amounting to Php584 million. The decrease in accounts receivable was brought about by the collections and provisions of trade receivables at our cut-off date.

There was a slight decrease noted in total liabilities during the period amounting to Php102 million was also noted during the period under review bringing total liabilities from Php4,640 million to Php4,537 million. The decrease in total liabilities was brought about by the payments in trade customers payables, partially offset by the increase in short term borrowings and other payables.

The decrease in our investment in Financial Assets amounting to Php584 million and the result of the Company's operations during the period under review had a direct effect on the group's stockholders equity at the end of the period. Total equity at the end of the year amounted to Php630 million as compared to the Php1,444 million in 2017.

The possibilities of an upside for the local equities market remain very high on account of the solid economic fundamentals of the Philippines and the continuing popularity of the current administration. The midterm elections in 2019 is expected to trigger an upswing in the domestic economy. Given the Company's strong potentials and the expanded market reach brought about by its reinforced online presence, better financial performance is anticipated moving forward. 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 continue to 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 2018	**31-Dec 2017**
CURRENT/LIQUITY RATIO				
	Current Assets / Current Liabilities	=	1.14:1	1.31:1
	Quick Assets / Current Liabilities	=	1.07:1	1.24:1
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	=	7.21:1	3.21:1
ASSETS TO EQUITY RATIO	Assets / Equity	=	8.21:1	4.21:1
INTEREST RATE COVERAGE RATIO	Earnings before interest and taxes / Interest expense	=	-0.30:1	1.09:1
Interest rate coverage ratio is a measure on how well a company can meet its interest payment obligations.				

2017

General Business Environment

The year 2017 ended with lower-than-expected economic growth figures. The country's gross domestic product grew 6.7% in 2017, slightly below the 6.9% growth recorded in 2016. The decline was attributed to a number of factors including a drop in private construction spending, post-election impact, and the plateauing of the business process outsourcing industry. Notwithstanding the decline, the country maintained its stature as among the fastest growing emerging economies in the Region, ranking third behind China and Vietnam. In addition, improvements in the agricultural sector as well as in exports and imports, and a reinvigorated and accelerated infrastructure spending in line with the government's Build, build, build program, and the continuing popularity of the President, were factors that sustained general optimism about the country and its economic prospects.

The Philippine stock market surfed through 14 record highs in 2017, buoyed by renewed and sustained interest among investors, eventually ending the year by surging to 8,558.42 levels. The PSE index gained 25.11% for the year 2017. The growth leaders were the financial, property and the service sectors which outperformed the broad market all-share index.

-

Performance of the Company

The Company's performance for the year mirrored conditions in the larger business environment. Improvements were noted in a number of areas although overall results were lower than expected mainly due to investments in the long-term sustainability of the Company. The Company's finance income for 2017 reached Php285million, representing an increase of Php55 million from the Php230 million it made in 2016. This was brought about by additional gain realized on the sale of group's investments in financial assets amounting to Php284 million. There was a decrease of Php10 million in management fees recorded year-on-year from Php40 million to Php30 million. In addition, the Company's brokerage business reported an increase in total commissions during the year from Php146 million to Php156 million. All considered, consolidated revenues for the year stood at Php474 million, an increase of Php58 million from last year's Php416 million.

However, total costs and expenses for the year was noted at Php453 million, representing an increase of Php48 million from last year's Php405 million. The increase in total costs and expenses was brought about by increased debt servicing during the year amounting to Php241 million, up by Php24 million from last year's Php217 million. Debt servicing continued to comprise a large chunk of the Company's operating expenses in keeping with our commitment to honor obligations. Since the Company is managing for the long term, additional costs and expenses were made towards strengthening the online stock trading system platform which was launched in 2017. The Company is very optimistic that the cost and effort it has put into expanding its online trading platform will yield rewards in a very near term, in addition to ensuring its long-term sustainability.

In summary, the company is reporting a consolidated net loss of Php19.4 million for the year, representing a decline from the Php3.5 million noted in the previous year.

There was a slight increase in total assets noted for the year amounting to Php28 million, from Php6,056 million in December 2016 to Php6,084 million in December 2017. The slight increase of Php28 million in total assets was brought about by the increase in the group's accounts receivable amounting to Php599 million from last year's Php2,277 million to this year's Php2,876 million, partially offset by the decrease in Financial Assets at Fair Value Through Profit and Loss and Available For Sale Financial Assets amounting to Php582. The increase in accounts receivable was brought about by the uncollected trade of clients currently due at our cut-off date while the decrease in value of Financial Assets at Fair Value Through Profit and Loss and Available For Sale Financial Assets was brought about by the temporary decline in value due to the sluggish closing at year end.

A corresponding increase in total liabilities amounting to Php832 million was also noted during the period under review bringing total liabilities from Php3,808 million to Php4,640 million due to increases in short term borrowings and due to customers on trading transactions.

The decrease in our investment in Available For Sale Financial Assets amounting to Php568 had a direct effect on the group's stockholders equity at the end of the period, but we consider the decline as temporary in nature.

The possibilities of an upside for the local equities market remains very high on account of the solid economic fundamentals of the Philippines and the continuing positive sentiments about the country. Given the Company's strong potentials and the expanded market reach brought about by its reinforced online presence, better financial performance is anticipated moving forward. 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.

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.				

Item 7. Financial Statements

Please see consolidated financial statements and schedules.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

For the years 2018, 2017, and 2016, the auditing firm of Punongbayan and Araullo was re-nominated and re-appointed by the Board of Directors to conduct the examination of the financial statements of the Company and its Subsidiaries. In compliance with the SEC Memorandum Circular No. 8 Series of 2003, the assignment of Mr. Christopher M. Ferareza, the engagement's partner, shall not exceed five (5) consecutive years.

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:

	2018	**2017**
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.	₱2,350,000	₱2,200,000
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. 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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The names and ages of all incumbent Directors, elected on **September 27, 2018** during the Annual Stockholders Meeting and are to serve for a term of one (1) year until their successors shall have been elected and qualified, with their business experiences for the past five (5) years:

Position	Name	Citizenship	Age	Year of Assumption of Office	Number of yrs. as Director
Chairman	Paulino S. Soo	Filipino	67	1994 to present	24
President	Jack T. Huang	Filipino	65	1995 to present	23
Treasurer	Vicente Co Chien, Jr.	Filipino	66	1995 to present	23
Director	Jimmy S. Soo	Filipino	61	1995 to present	23
Director	Ma. Cristina Encarnacion	Filipino	61	2017 to present	2
Independent Director	Ma. Therese G. Santos	Filipino	60	2006 to present	12
Independent Director	Jimmy Chua Alabanza	Filipino	74	2008-present	10

Mr. Paulino. Soo
Chairman and Chief Executive Officer

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 Bermaz Auto Philippines 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
President

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.
Treasurer

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 Mavic Development, Inc.

Mr. Jimmy S. Soo
Director

Atty. 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
Director

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 received her Bachelor of Science (Statistics) degree from the University of the Philippines, Diliman (1978).

Mr. Jimmy Chua Alabanza
Independent Director

Mr. Jimmy Chua Alabanza is a Director of the Company. 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 Ateneo de Manila University in 1967.

Ms. Ma Therese G. Santos
Independent Director

Ms. Ma. Therese G. Santos is a Director of the Company. She is Associate Director/Administrator of Gravitas Prime, Inc. (2007-present). She is an Independent Director, and the Chairman of the Audit and Compliance Committee and Compensation and Remuneration Committee of Music Semiconductors Corporation (2003-present). 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. Ms. Santos was the Director of Finance for United Development Corporation (1991-1993). Ms. Santos received a Bachelor of Science Degree in Chemical Engineering and a Master's in Business Administration degree from the University of the Philippines.

FAMILY RELATIONSHIP

Paulino S. Soo, Chairman of the Board, is the brother of Jimmy S. Soo, Director

There are no other significant employees.

Involvement in Certain Legal Proceedings

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.

Item 10. Executive Compensation

(1) General

All Compensation Covered

Except for executive officers included under the compensation table below, all other executive officers and directors do not receive salaries.

(2) Summary of Compensation Table

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2018 and 2017, and to be paid in the ensuing fiscal year 2019 to the Company's Chief Executive Officer and four (4) other mostly highly compensated executive officers who are individually named, and to all other officers and director of the Company as a group:

Name and Principal Function	**Fiscal Year**	**Salary**	**Bonus**	**Other Annual Compensation**
Paulino S. Soo Chairman and CEO	2017 2018 2019			
Jack T. Huang President	2017 2018 2019			
Schubert Caesar C. Austero VicePresident/HRM	2017 2018 2019			
Sheila Marie Aguilar Vice President	2017 2018 2019			
Melanio C. Dela Cruz Vice President	2017 2018 2019			
Total for the Group	2017 2018 2019	7,746,074 7,851,789 7,844,702	2,630,560 2,259,634 1,687,317	-0- -0- -0-
All Officers As A Group Unnamed	2017 2018 2019	8,995,678 9,233,390 9,387,991	3,125,268 2,665,690 2,025,468	-0- -0- -0-

(3) Compensation of Directors

(A) Standard Arrangement

The Member of the Board of Directors are not entitled to receive salaries and bonuses

(B) Other Arrangements.

None

(4) **Employment Contracts and Termination of Employment and Change-in Control Arrangements**.

None

(5) Warrants and Options Outstanding :

None

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership (more than 5%) of Certain Beneficial Owners and Management as of March 31, 2019.

Class	Name and Address record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Owner	Citizenship	No. of Shares Held	Percentage Of Class
Common	PCD Nominee Corp. 2nd Floor Makati Stock Exchange Bldg. Ayala Avenue Makati City		Filipino	845,733,000	70.88
Common	Paulino S. Soo (record and beneficial) Chairman and President 29th Floor Abacus Securities Corp. East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	133,000,000	11.15
Common	**Abacus Capital and Invt. Corp.(record and beneficial); subsidiary and stockholder 29th Floor East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	62,191,000	5.21
Total				**1,037,955,000**	**87.24**

There is no arrangement that may result in a change in control of the registrant and any voting trust holders

*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 own behalf or in behalf of their clients. Individual or Group owners reported under PCD Nominee Corporation have less than 10% ownership of the outstanding capital stock of the Corporation.

There are no Individuals or Corporate stockholders who own more than 5% of the Company's voting securities under PCD Nominee Corporation.

** Mr. Paulino S. Soo, Chairman and President of Abacus Capital and Investment Corporation, directs the voting/disposition of shares held by both Companies.

1. **Security Ownership of Management**

   The following is a summary of the beneficial holdings of the Company's Directors and Executive Officers as of March 31, 2019:

Class	Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership[record (r) or beneficial (b)]		Percent of Class
Common	Paulino S. Soo	Filipino	133,000,000	r / b	11.15
-do-	Jack T. Huang	Filipino	500,000	r / b	0.04
-do-	Jimmy S. Soo	Filipino	10,010,000	r / b	0.84
-do-	Vicente Co Chien	Filipino	6,130,000	r / b	0.51
-do-	Ma.Cristina Encarnacion	Filipino	10,000	r /b	.000
-do-	Ma. Therese G. Santos	Filipino	10,000	r / b	.000
-do-	Jimmy Chua Alabanza	Filipino	10,000	r / b	.000
-do-	All directors and Executive Officers as group unnamed		149,760,000	r / b	12.55

2. **Voting Trust Holders of 5% or More**

   There is no voting trust or similar arrangement

3. **Changes in Control**

   There are no arrangements that may result in a change of control of the registrant and no change of control occurred during the year.

Item 12. Certain Relationship and Related Transactions

Except as provided below, during the last two years, there are no related transactions either direct or indirect with the Company's Board of Directors.

In the normal course of business, the Company grants to and obtains advances from its affiliates. These advances earn interest at rates to the weighted average of the interest rates of the outstanding loans payable to the banks.

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

PART IV – CORPORATE GOVERNANCE

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. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company 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 not aware 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. Please refer to the attached 2018 ACGR.

PART V- EXHIBITS AND SCHEDULES

a) Exhibits

(Please see supplemental financial statements schedules).

SIGNATURE PAGE

Pursuant to the requirements of the Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ____________ on ________________,2019.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
Issuer

By:

PAULINO S. SOO
Chairman and Chief Executive Officer

JACK T. HUANG
President

VICENTE CO CHIEN, JR.
Treasurer

JIMMY S. SOO
Director

ANNA FRANCESCA RESPICIO
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
PASIG CITY, METRO MANILA) S.S.

APR 30 2019

SUBSCRIBED AND SWORN TO before me this ______________2019 affiants exhibiting to me their passport number, as follows:

NAMES	CTC/PASSPORT#	DATE OF ISSUE	PLACE OF ISSUE
PAULINO S. SOO	P3984265A	Sept. 09, 2017	NCR East
VICENTE CO CHIEN	P7768847A	July 02, 2018	Manila
JACK T. HUANG	P8145874A	July 30, 2018	Cebu City
JIMMY S. SOO	P0076899B	Jan. 02, 2019	Manila
ANNA FRANCESCA RESPICIO	P0286448A	Sept. 16, 2016	NCR East

Doc. No. 67
Page No. 15
Book No. 54
Series of 2019.

ABUGAN
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Report of Independent Auditors

The Board of Directors and the Stockholders
First Abacus Financial Holdings Corporation and Subsidiaries
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, 2018 and 2017, 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, 2018, 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 consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that the Group has a substantial deficit as of December 31, 2018 and 2017. As stated in Note 1, this condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In response to this matter, a number of key initiatives to aggressively grow and expand the business and continually focus on operational efficiency have been made by management and resulted in sustained improvements in the operations of one of the subsidiaries in 2018 and 2017. As further stated in Note 1, the launch of the same subsidiary's online trading facility in 2017 continues to further boost these efforts in the current year. Accordingly, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern 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 assumptions on the ability of the Group to continue as a going concern. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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, 2018, the Group's receivables amounts to P2,570,476,324, net of allowance for impairment of P427,611,358 which accounts for 50% of the Group's total assets as of December 31, 2018. Certain receivables amounting to P1,016,901,305 are secured by collateral valuation of traded equity securities, while the remaining balance is unsecured.

The Group's management exercised significant judgment and made significant estimates in determining when receivables are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) model under PFRS 9, *Financial Instruments*, which was adopted by the Group in 2018. The Group's significant accounting policies, and management judgment and estimates, which are described in Notes 2 and 3 to the consolidated financial statements, include the application of the ECL methodology based on the lifetime expected credit loss wherein the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The key elements used in the calculation of the ECL include the probability of default, loss given default and exposure at default.

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

The details and related credit risk are disclosed in Notes 10 and 4, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We have performed substantive audit procedures, which included, among others, evaluating appropriateness of the Group's ECL methodology based on the requirements of PFRS 9 and the reasonableness of the underlying assumptions thereto. We have assessed the counterparties' repayment abilities by examining payment history and reviewing the counterparties' latest available financial information, and determined the appropriateness of the valuation of the collaterals attached as security to the receivables and compared such valuation against the Group's outstanding receivable balance to ascertain sufficiency of allowance for impairment.

(b) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's net deferred tax assets amounts to P69,265,316 as of December 31, 2018. 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 projection which involves significant management estimates. Accordingly, we have also identified the recoverability of deferred tax assets as an audit area of focus.

The relevant information relating to deferred tax assets are disclosed in Notes 2, 3 and 21 to the consolidated financial statements.

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.

(c) Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2018, the carrying amount of goodwill, net of allowance for impairment, amounts 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 unit (CGU) where the goodwill is allocated and the future cash flows of that particular CGU, which are affected by expected future market or economic conditions.

Management's significant assumptions include:

- The identified CGU, one of the subsidiaries, on which the goodwill is allocated, will continue as a going concern;

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

- The CGU'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 the CGU by considering historical trends and past profit performance, and the future operational plans of the CGU's management. In addition, our audit on the financial statements of CGU as of and for the year ended December 31, 2018 did not reveal 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 Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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 2018 audit resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 7333693, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019

First Abacus Financial Holdings Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements for the year(s) ended **December 31, 2018** in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following:

MR. PAULINO S. SOO
Chairman and Chief Executive Officer

MR. VICENTE CO CHIEN JR.
Treasurer

Signed this _____ day of __________

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

SUBSCRIBED AND SWORN to before me this APR 10 2019, affiant exhibiting to me his Tax Identification No. 111-853-589.

Doc. No. 211;
Page No. 44;
Book No. 14;
Series of 2019.

ATTY. JULIE ANN E. DELA CRUZ-SALVADOR
Notary Public
Commission No. 73
Until 31 December 2019
Cruz Compound, Bagumbayan, Taguig City
Roll No. 63844
PTR No. 7335050 / 03 Jan 2019 / Makati City
Life IBP No. 025406 / RSM
MCLE Compliance No. V-0017831

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2018	2017
A S S E T S			
CASH	7	**P 95,993,987**	P 105,019,902
RECEIVABLES - Net	10	**2,570,476,324**	2,875,963,423
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	8	**820,466,014**	956,395,411
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	9	**1,380,924,211**	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net	9	**-**	1,829,878,313
PROPERTY AND EQUIPMENT - Net	12	**45,636,682**	55,136,380
DEFERRED TAX ASSETS - Net	21	**69,265,316**	95,389,290
OTHER ASSETS - Net	13	**183,828,721**	166,448,978
TOTAL ASSETS		**P 5,166,591,255**	P 6,084,231,697
LIABILITIES AND EQUITY			
INTEREST-BEARING LOANS AND BORROWINGS	14	**P 4,108,283,478**	P 4,086,835,020
DUE TO CUSTOMERS	15	**214,826,790**	371,563,965
ACCOUNTS PAYABLE AND OTHER LIABILITIES	16	**214,402,189**	181,530,233
Total Liabilities		**4,537,512,457**	4,639,929,218
CAPITAL STOCK	17	**1,193,200,000**	1,193,200,000
ADDITIONAL PAID-IN CAPITAL	2	**3,104,800**	3,104,800
TREASURY SHARES - At Cost	17	**(385,670,581)**	(385,670,581)
REVALUATION RESERVES	17	**764,453,894**	1,188,012,398
DEFICIT	1	**(946,009,315)**	(554,344,138)
Total Equity		**629,078,798**	1,444,302,479
TOTAL LIABILITIES AND EQUITY		**P 5,166,591,255**	P 6,084,231,697

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
INCOME				
Commissions	2	**P 144,078,743**	P 156,441,852	P 145,846,017
Gain on sale of financial assets at fair value through profit or loss (FVTPL)	8	**90,775,179**	59,488,085	57,747,281
Management fees	11	**30,000,000**	30,000,000	40,000,000
Finance income	20	**260,183**	487,994	356,375
Gain on sale of available-for-sale financial assets	9	**-**	224,735,836	92,425,144
Fair value gains on financial assets at FVPTL	8	**-**	-	79,475,778
Others	10, 11, 13	**20,521,252**	3,139,992	200,549
		285,635,357	474,293,759	416,051,144
EXPENSES				
Finance costs	20	**267,476,396**	242,621,628	218,889,909
Fair value losses on financial assets at FVPTL	8	**105,993,726**	3,438,627	-
Salaries and employee benefits	18	**55,879,076**	55,268,653	53,710,311
Impairment losses on receivables	10	**48,698,879**	7,231,010	5,000,000
Commissions		**39,908,142**	41,351,276	36,604,033
Taxes and licenses		**27,792,686**	18,957,601	17,569,517
Depreciation and amortization	12, 13	**16,240,044**	13,773,696	11,498,505
Exchange fees		**10,726,785**	11,796,075	9,900,121
Communication		**10,339,761**	9,973,733	9,013,811
Representation and entertainment		**5,405,506**	7,698,241	9,980,477
Outside services		**5,181,641**	5,779,262	5,531,852
Professional fees		**5,048,048**	5,348,082	5,118,715
Membership fees and dues		**3,863,796**	7,401,539	5,256,077
Transportation and travel		**2,155,644**	2,148,679	2,380,988
Others	19	**27,628,723**	19,528,640	14,057,266
		632,338,853	452,316,742	404,511,582
PROFIT (LOSS) BEFORE TAX		**(346,703,496)**	21,977,017	11,539,562
TAX EXPENSE	21	**(46,899,430)**	(41,348,977)	(15,062,850)
NET LOSS		**(P 393,602,926)**	(P 19,371,960)	(P 3,523,288)
Basic and Diluted Loss Per Share	22	**(P 0.3852)**	(P 0.0190)	(P 0.0034)

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017	2016
NET LOSS		**(P 393,602,926)**	(P 19,371,960)	(P 3,523,288)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized fair value losses on financial assets at fair value through other comprehensive income	9	**(341,313,037)**	-	-
Gain on remeasurements of post-employment defined benefit plan, net of tax	18	**1,448,966**	2,655,210	362,878
		(339,864,071)	2,655,210	362,878
Items that will be reclassified subsequently to profit or loss:				
Unrealized fair value gains (losses) on available-for-sale financial assets	9	**-**	(561,803,050)	221,477,502
Realized fair value gains on the disposal of available-for-sale financial assets	9	**-**	(224,735,836)	(92,425,144)
		-	(786,538,886)	129,052,358
Total Other Comprehensive Income (Loss)		**(339,864,071)**	(783,883,676)	129,415,236
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 733,466,997)**	(P 803,255,636)	P 125,891,948

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, 2018, 2017 AND 2016
(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**
Balance at January 1, 2018						
As previously reported	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 1,188,012,398	(P 554,344,138)	P 1,444,302,479
Effect of adoption of PFRS 9	-	-	-	-	(81,756,684)	(81,756,684)
As restated	1,193,200,000	3,104,800	(385,670,581)	1,188,012,398	(636,100,822)	1,362,545,795
Transfer of realized fair value gains on financial assets at fair value through other comprehensive income	-	-	-	(83,694,433)	83,694,433	-
Total comprehensive loss for the year	-	-	-	(339,864,071)	(393,602,926)	(733,466,997)
Balance at December 31, 2018	**P 1,193,200,000**	**P 3,104,800**	**(P 385,670,581)**	**P 764,453,894**	**(P 946,009,315)**	**P 629,078,798**
Balance at January 1, 2017	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
Total comprehensive loss for the year	-	-	-	(783,883,676)	(19,371,960)	(803,255,636)
Balance at December 31, 2017	P 1,193,200,000	P 3,104,800	(P 385,670,581)	P 1,188,012,398	(P 554,344,138)	P 1,444,302,479
Balance at January 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
Total comprehensive income for the year	-	-	-	129,415,236	(3,523,288)	125,891,948
Balance at December 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

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		**(P 346,703,496)**	P 21,977,017	P 11,539,562
Adjustments for:				
Interest expense	20	**265,917,463**	241,150,922	217,402,584
Depreciation and amortization	12, 13	**16,240,044**	13,773,696	11,498,505
Interest income	20	**(208,278)**	(487,994)	(356,375)
Operating profit (loss) before working capital changes		**(64,754,267)**	276,413,641	240,084,276
Decrease (increase) in receivables		**223,730,414**	(599,339,171)	(487,914,640)
Decrease (increase) in financial assets at fair value through profit or loss		**135,929,397**	13,661,972	(254,890,870)
Decrease (increase) in financial assets at fair value through other comprehensive income (previously, available-for-sale financial assets)		**107,641,065**	(218,439,033)	92,604,010
Increase in other assets		**(38,158,243)**	(14,136,413)	(29,735,645)
Increase (decrease) in due to customers		**(156,737,175)**	185,647,900	(15,401,721)
Increase (decrease) in accounts payable and other liabilities		**(123,933,729)**	13,393,527	(7,826,871)
Cash generated from (used in) operations		**83,717,462**	(342,797,577)	(463,081,461)
Interest received	20	**208,278**	487,994	356,375
Cash paid for taxes		**(2,425,982)**	(1,343,297)	(46,891)
Net Cash From (Used in) Operating Activities		**81,499,758**	(343,652,880)	(462,771,977)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	12	**(1,774,712)**	(2,692,067)	(4,253,618)
Proceeds from disposal of property and equipment	12	**-**	1,236,667	-
Acquisition of computer software	13	**-**	(766,377)	-
Net Cash Used in Investing Activities		**(1,774,712)**	(2,221,777)	(4,253,618)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds to additional loans and borrowings	14	**517,713,207**	1,443,185,880	1,461,706,306
Repayments of loans and borrowings	14	**(498,801,356)**	(983,405,160)	(851,277,394)
Interest paid	14	**(107,662,812)**	(86,806,035)	(185,040,084)
Net Cash From (Used in) Financing Activities		**(88,750,961)**	372,974,685	425,388,828
NET INCREASE (DECREASE) IN CASH		**(9,025,915)**	27,100,028	(41,636,767)
CASH AT BEGINNING OF YEAR		**105,019,902**	77,919,874	119,556,641
CASH AT END OF YEAR		**P 95,993,987**	P 105,019,902	P 77,919,874

Supplemental Information on Non-cash Investing and Financing Activities:

1.) In 2018 and 2017, certain transportation equipment with total cost of P2.5 million and P21.2 million, respectively, were acquired through finance lease arrangements. Relative to this, the Group has outstanding loan balance of P13.5 million and P19.6 million as of December 31, 2018 and 2017, respectively (see Notes 12 and 14).

2.) In 2017, advances to a supplier of P6.5 million was reclassified to computer software upon completion and full installation thereof (see Note 13).

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Corporate Information

First Abacus Financial Holdings Corporation (the Parent Company) was incorporated in the Philippines and registered with the Securities Exchange Commission (SEC) on February 15, 1994. As a stock corporation, the Parent Company's corporate life is 50 years. The Parent Company wholly owns the following subsidiaries (together herein referred to as the Group), all of which are also 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.

1.2 Status of Operations

The Group has a substantial deficit as of December 31, 2018 and 2017. This condition indicates the existence of a material uncertainty, which may cast significant doubt on the Group's ability to continue as a going concern. In response to this matter, a number of recent key initiatives to aggressively grow and expand the business and continually focus on operational efficiency have been made by management and resulted in sustained improvements in the operations of ASC in 2018 and 2017. Moreover, the launch of ASC's online trading facility in 2017 continues to boost these efforts in the current year. Management is fully confident 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. Accordingly, consolidated financial statements have been prepared assuming that the Group will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

1.3 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements as of December 31, 2017 and for the years ended December 31, 2017 and 2016) were authorized for issue by the Parent Company's Chairman of the Board of Directors (BOD) and Chief Executive Officer on April 8, 2019.

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 and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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) Prior Period Restatements of Accounts

i. Adoption of New PFRS

In 2018, the Group adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allowed the Group not to restate its prior periods' consolidated financial statements. Moreover, the impact of the adoption of PFRS 9 at January 1, 2018 resulted in the recognition of additional impairment on Receivables which was adjusted in the opening balance of the Deficit account in the current year, and in the reclassification of the Available-for-sale (AFS) Financial Assets to Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) in the consolidated statement of financial position [see Note 2.2(a)(ii)].

ii. Reclassification of Security Deposits

In 2018, the Group reclassified certain security deposits amounting to P463,757 in 2017 relating to operating lease agreements from current liabilities to non-current liabilities under Other Liabilities account to conform with the current year presentation, which did not result in any material impact as it only affected presentation aspect (see Note 16). The reclassification did not result in any adjustment to the Group's total liabilities presented in the consolidated statement of financial position as of December 31, 2017. It did not also result in any impact on the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2017.

iii. Reclassification of Various Accounts

The Group also reclassified certain accounts presented under Finance Income and Finance Costs accounts in the 2017 and 2016 consolidated statements of profit or loss, to conform to the current year presentation (see Note 20).

The effect of the reclassification on the 2017 and 2016 consolidated statements of profit or loss is as follows:

	2017		
	As Previously Reported	Reclassifications	As Restated
Finance income	P 284,711,915	(P 284,223,921)	P 487,994
Finance costs	253,291,265	(10,669,637)	242,621,628
Gain on sale of financial assets at fair value through profit or loss (FVPL)	-	59,488,085	59,488,085
Gain on sale of AFS financial assets	-	224,735,836	224,735,836
Fair value losses on financial assets at FVPL	-	3,438,627	3,438,627
Impairment losses on receivables	-	7,231,010	7,231,010

	2016		
	As Previously Reported	Reclassifications	As Restated
Finance income	P 230,004,578	(P 229,648,203)	P 356,375
Finance costs	223,889,909	(5,000,000)	218,889,909
Gain on sale of financial assets at FVPL	-	57,747,281	57,747,281
Gain on sale of AFS financial assets	-	92,425,144	92,425,144
Fair value gains on financial assets at FVPL	-	79,475,778	79,475,778
Impairment losses on receivables	-	5,000,000	5,000,000

The reclassifications did not result in any adjustment to the Group's consolidated net loss and loss per share presented in the 2017 and 2016 consolidated statements of profit or loss. It did not also result in any significant impact on the Group's consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016.

The foregoing matters did not necessitate presentation of a third consolidated statement of financial position.

(d) 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.

(e) Security Valuation

The security position of customers classified as long position pertains to shares of stock that a customer bought with the expectation that the shares will rise in value whereas customers with short position pertains to the sale of shares of borrowed stock in the open market with the expectation that the price thereof will decrease over time, at which point the customer will purchase the shares and return the shares to the broker (to the Group or other brokers) which the customer borrowed them from.

2.2 Adoption of New PFRS

(a) Effective in 2018 that are Relevant to the Group

The Group adopted the following new standards and interpretations to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Transfers of Investment Property
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration

Following are the relevant information about these new pronouncements:

(i) PAS 40 (Amendments), *Investment Property – Transfers of Investment Property*. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use. The application of these amendments had no impact on the Group's consolidated financial statements.

(ii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 9 issued in 2009, 2010 and 2013. This new 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, i.e., financial assets at amortized costs, FVPL and FVOCI;

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; 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.

The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.6 and 2.14.

The impact of the adoption of this new accounting standard to the Group's consolidated financial statements are as follows:

a. Investment Securities Reclassified from AFS Financial Assets to Financial Assets at FVOCI

With respect to investment in equity securities amounting to P1,828,879,313 as of January 1, 2018, which were previously classified as AFS financial assets, the Group elected to irrevocably designate these equity securities at FVOCI, as the assets are now held by the Group with the objective of selling in the future for liquidity purposes.

b. Credit Losses on Financial Assets at Amortized Cost

The application of the ECL methodology based on the simplified approach using a provision matrix for Receivables resulted in the recognition of additional allowance for credit losses amounting to P85,029,147 as of January 1, 2018, which are charged to the opening Deficit account of the current year. The applicable deferred tax asset amounting to P3,272,463 is correspondingly recognized while the remainder amounting to P22,236,281 is not recognized as management expects that the related subsidiary may not have sufficient taxable profit in the future against which such unrecognized deferred tax asset can be utilized.

Based on the foregoing, there were no adjustments made in the opening balance of Deficit account as of January 1, 2018 as allowed under the transitional relief of PFRS 9. Nevertheless, the accounting policies of the Group on financial instruments have been updated to fully conform with PFRS 9. The Group's new accounting policies relative to the adoption of PFRS 9 are fully disclosed in Notes 2.6 and 2.14.

(iii) PFRS 15, *Revenue from Contract with Customers,* together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard replaced PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: 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.

The Group's adoption of PFRS 15 has resulted only in changes in its accounting policies; the revised policies are in Note 2.18. It did not result in material adjustments to the consolidated financial statements because the recognition of the revenues of the Group that are within the scope of PFRS 15 did not change.

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration*. The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this interpretation has no impact on the Group's consolidated financial statements.

(b) Effective in 2018 that are not Relevant to the Group

The following amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's consolidated financial statements:

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4, *Insurance Contracts*
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, interpretation, and amendments to existing standards effective for annual periods subsequent to 2018, 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 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. 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 similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized 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 plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Deficit account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management is currently assessing the financial impact of this new standard on the Group's consolidated financial statements.

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *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 amendments to PFRS 10 require 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 of contribution of assets that do not constitute a business. Corresponding amendments have 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.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its wholly owned subsidiaries 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.

2.4 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 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 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.

2.5 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.

2.6 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, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9 (applicable to 2018)

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Under PFRS 9, financial assets are classified into the following categories: financial assets at amortized cost, FVPL and FVOCI. The classification and measurement of financial assets relevant to the Group are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash, Receivables, and Clearing and trade guaranty fund (CTGF) under Other Non-current Assets.

For purposes of cash flows reporting and presentation, cash includes cash on hand and demand deposits which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Finance Income account.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVPL. The Group has designated equity instruments and golf club shares as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Deficit account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss, when the Group's right to receive dividends is established; it is probable that the economic benefits associated with the dividend will flow to the Group; and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. Also, equity securities are classified as financial assets at FVPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVPL include equity securities which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income or Finance Costs accounts in the consolidated statement of profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39 (applicable to 2017)

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

The Group's financial assets are categorized as financial assets at FVPL, loans and receivables and AFS financial assets. A more detailed description of the categories of financial assets relevant to the Group as of and for the year ended December 31, 2017 are shown below and in the succeeding page.

(i) Financial Assets at FVPL

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 FVPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVPL 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 FVPL) may be reclassified out of FVPL 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 subject to insignificant risk of changes in value.

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 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 carried 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 are reclassified from equity to profit or loss and are presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(c) Impairment of Financial Assets Under PFRS 9 (applicable to 2018)

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix for applicable receivables. The Group also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due (see Note 4.3).

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Impairment of Financial Assets Under PAS 39 (applicable to 2017)

As of December 31, 2017, the Group assessed impairment 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 carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' 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 the 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 the 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 and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves account 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 are 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.

(e) 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.

2.7 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount, considered as a single financial asset or financial liability, 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.

2.8 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.

2.9 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 2.8).

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. 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 (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 tested annually for impairment and carried at cost less accumulated impairment losses (see Note 2.13).

(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 and trading right 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 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 classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

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 statement of 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 obligation 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 Group 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 partially 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 accumulated gains and losses due to the revaluation of financial assets at FVOCI (previously 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 (i.e., securities brokerage services, financial advisory and underwriting services, and others) measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group enters into transactions involving the rendering of services. There are no significant judgments involved in determining the transaction price, the allocated amounts to and timing of satisfaction of performance obligations since there is only one transaction price specific to one performance obligation in the respective contracts that is satisfied over time. The transaction price for a performance obligation that is satisfied over time is recognized as revenue as the performance obligation is satisfied. As applicable, customers are invoiced periodically as work progresses, which are also due upon receipt by the customers. Any unbilled amounts at the end of a reporting period for management services are presented in the consolidated statement of financial position as Management fee receivables under the Receivables account as only the passage of time is required before payment of these amounts will be due.

The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less.

Commissions from brokerage services, which are recognized as actual revenues and are charged to customers on a transaction-date basis as securities transactions occur; hence, recognized at a point in time.

With respect to commission and fees arising from financial advisory and underwriting services (i.e., negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses), revenues are recognized at the completion of the underlying transaction or at a point in time. This also includes management and advisory service fees recognized upon satisfaction of primary transaction. The non-refundable portion of the transaction price specifically identifiable is also recognized at a point in time since there is no performance obligation related to this consideration upon acceptance of the contract and payment of the non-refundable fees by customers.

In 2017 and prior periods, the Group recognized revenues based on the provisions of PAS 18, which is to the extent that such revenues and the related costs incurred can be measured reliably and it is probable that future economic benefits will flow to the Group.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if applicable (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 transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group.

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) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the consolidated profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accounts payable and accrued expenses under the Accounts Payable and Other Liabilities account in the consolidated statement of financial position (see Note 16).

(b) 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 an independent actuary 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 Bloomberg using its valuation technology, Bloomberg Valuation (BVAL) in 2018 and by Philippine Dealing & Exchange Corp. (PDEX) in 2017, 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. BVAL and PDEX provide evaluated prices that are based on market observations from contributed sources.

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.

(c) 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.

(d) 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 Accounts payable and accrued expenses 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 current tax and deferred 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

Basic 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, after retroactive adjustment for stock dividend declared, if any, for the current period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of outstanding common shares to assume conversion of potentially dilutive shares outstanding. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

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 consolidated 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.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the judgments discussed below and 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) Going Concern Assumption

When preparing the consolidated financial statements, the management shall make an assessment of the Group's ability to continue as a going concern. An entity shall prepare the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

The management believes that the Group, though it incurs significant deficit, will continue as a going concern, as disclosed in Note 1.2.

(b) Determination of ECL on Receivables (applicable to 2018)

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., enhancements such as collaterals).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's receivables are disclosed in Note 4.3.

(c) Evaluation of Business Model Applied in Managing Financial Instruments (applicable to 2018)

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows.

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Group as those relate to the Group's investment and trading strategies.

(d) *Evaluation of Impairment of AFS Financial Assets (applicable to 2017)*

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.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that certain AFS financial assets are not impaired since the related fair value is higher than the cost of investment for a long period of time; hence, no additional impairment loss was recognized in 2017. The carrying values of AFS financial assets are shown in Note 9.

(e) *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 operating leases, except for certain finance lease arrangements entered in 2018 and 2017 covering the Group's transportation equipment (see Note 12).

(f) *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.

(g) *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.

3.2 Key Sources of Estimation Uncertainty

Following are the discussion on 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 Allowance for ECL (applicable to 2018)

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is discussed in detail in Note 4.3.

(b) Impairment of Receivables (applicable to 2017)

Adequate amount of allowance for impairment is provided 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.

(c) 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, 13.3 and 13.6, respectively. Based on management's assessment as at December 31, 2018 and 2017, 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.

(d) Impairment of Trading Right

Trading right, having an indefinite useful life, is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Moreover, the Group tests the asset for impairment annually by comparing its recoverable amount with its carrying amount. Any excess of the carrying amount over the recoverable amount is recognized as an impairment loss.

As certified by the PSE as at December 31, 2018 and 2017, the latest transacted price of an exchange for the trading right is P8,500,000, which was based on the latest available published PSE reports dated December 14, 2011. Therefore, based from the comparison of the carrying amount and recoverable amount, the trading right is not impaired.

(e) 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. 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 FVPL and FVOCI (previously AFS financial assets) and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 8 and 9, respectively.

(f) Determination of 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, 2018 and 2017 are disclosed in Note 21.

(g) Impairment of Other 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 2018, 2017 and 2016.

(h) Valuation of Post-Employment 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 significantly include, among others, discount rate and salary growth 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 amount of post-employment defined benefit obligation and the analysis of the movements thereto, as well as the significant assumptions used in estimating such obligation are presented in Note 18.2.

(i) 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 Notes 5.6 and 13.3, 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 certain 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 as follows:

4.1 Interest Rate Risk

The table below illustrates the sensitivity of the Group's profit (loss) before tax and equity to a reasonably possible change in the Group's interest-bearing loans and borrowings' interest rates of +/- 2.65% in 2018 and +/- 1.84% in 2017. 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. On the other hand, cash in banks are subject to insignificant changes in interest rates since these are significantly used for operating activities. All other variables are held constant.

	Effect on Profit (Loss) before Tax	
	Positive Change	Negative Change
2018 (+/- 2.65%)	**(P 108,869,512)**	**P 108,869,512**
2017 (+/- 1.84%)	75,197,764	(75,197,764)

In case of loss before tax, the opposite impact to profit before tax will arise from the positive and negative changes.

4.2 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 P716,292 and P347,913 in 2018 and 2017, 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.

The exchange rates used was P52.724:US$1 and P49.923:US$1 as of December 31, 2018 and 2017, respectively.

4.3 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 bank 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.

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	**2018**	2017
Cash	7	**P 95,993,987**	P 105,019,902
Receivables – net	10	**2,570,476,324**	2,875,963,423
CTGF	13	**17,761,111**	-
		P 2,684,231,422	P 2,980,983,325

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

	Neither Past Due Nor Impaired High Grade	Standard Grade	Past Due but not Individually Impaired	Total
December 31, 2018				
Cash	P 95,993,987	P -	P -	P 95,993,987
Receivables:				
Customers/brokers	-	2,004,259,046	8,705,532	2,012,964,578
Equity margin loans	-	158,339,939	462,670,239	621,010,178
Accounts receivable	10,859,714	-	167,687,794	178,547,508
Notes receivables	-	5,988,048	68,449,190	74,437,238
Interest receivables	-	7,287,476	57,854,154	65,141,630
Management fees	-	25,500,000	-	25,500,000
Others	-	15,480,097	5,006,453	20,486,550
Receivables – gross	10,859,714	2,216,854,606	770,373,362	2,998,087,682
Allowance for impairment	-	-	(427,611,358)	(427,611,358)
Receivables – net	10,859,714	2,216,854,606	342,762,004	2,570,476,324
CTGF	-	17,761,111	-	17,761,111
	P 106,853,701	**P 2,234,615,717**	**P 342,762,004**	**P 2,684,231,422**
December 31, 2017				
Cash	P 105,019,902	P -	P -	P 105,019,902
Receivables:				
Customers/brokers	-	1,998,102,645	15,503,548	2,013,606,193
Equity margin loans	-	631,010,178	-	631,010,178
Accounts receivable	12,905,347	-	173,910,002	186,815,349
Due from clearing house	-	137,832,415	-	137,832,415
Notes receivable	-	4,514,553	68,449,190	72,963,743
Interest receivable	-	7,287,476	57,854,154	65,141,630
Management fees	-	51,000,000	-	51,000,000
Others	-	14,151,028	-	14,151,028
Receivables – gross	12,905,347	2,843,898,295	315,716,894	3,172,520,536
Allowance for impairment	-	-	(296,557,113)	(296,557,113)
Receivables – net	12,905,347	2,843,898,295	19,159,781	2,875,963,423
	P 117,925,249	P 2,843,898,295	P 19,159,781	P 2,980,983,325

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.

(a) *Cash and Cash Equivalents*

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.

(b) *Receivables from Customers/Brokers, Clearing House and Other Receivables*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all receivables from customers and clearing house, as well as for other receivables.

Receivables from customers/brokers are either fully or partially secured by collateral equity securities (see Note 10). In computing for the lifetime ECL, the Group applied an individual assessment of ECL measurement considering qualitative factors, i.e., longevity of days outstanding, no recorded trading activities and insufficient collateral valuation.

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or 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.

A reconciliation of the opening loss allowance for receivables from customers and non-customers and other receivables from PAS 39 as of December 31, 2017 to PFRS 9 as of January 1, 2018 is presented below (see Note 10).

	Receivables from Customer/Broker	Equity Margin Loans	Other Receivables	Total
Balance under PAS 39	P 79,966,361	P 93,284,425	P 123,306,327	P 296,557,113
Additional lifetime ECL	10,908,211	18,653,910	55,467,026	85,029,147
Balance under PFRS 9	**P 90,874,572**	**P 111,938,335**	**P 178,773,353**	**P 381,586,260**

The Group identifies a default when the receivables become credit impaired or when the customer is not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

(c) *CTGF*

With respect to CTGF which is refundable from credible private corporation with sound liquid position, the Group is not exposed to any significant credit risk exposure. These financial assets are considered to be neither past due nor impaired as of December 31, 2018 and 2017.

4.4 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, 2018 and 2017, the Group's financial liabilities have contractual maturities which are presented below.

	Within Six Months	Between Six to 12 Months	More than 1 Year	Total
December 31, 2018				
Interest-bearing loans and borrowings	P 3,071,043,250	P 1,062,714,683	P 4,142,320	P 4,137,900,253
Due to customers	214,826,790	-	-	214,826,790
Accounts payable and other liabilities (excluding post-employment defined benefit obligation and taxes payable)	26,383,623	89,072,305	-	115,455,928
	P 3,312,253,663	**P 1,151,786,988**	**P 4,142,320**	**P 4,468,182,971**
December 31, 2017				
Interest-bearing loans and borrowings	P 3,848,876,693	P 261,821,774	P -	4,110,698,467
Due to customers	371,563,965	-	-	371,563,965
Accounts payable and other liabilities (excluding post-employment defined benefit obligation and taxes payable)	22,549,763	112,893,911	-	135,443,674
	P 4,242,990,421	P 374,715,685	P -	P 4,617,706,106

The 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.

4.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value [financial assets at FVPL and FVOCI (previously 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 consolidated net profit and consolidated other comprehensive income as of December 31, 2018 and 2017 are summarized as follows:

			Impact of Increase		Impact of Decrease	
	Increase	Decrease	Net Loss	Other Comprehensive Loss	Net Loss	Other Comprehensive Loss
2018						
Financial assets at FVPL	+31.32%	-31.32%	P 256,969,956	P -	(P 256,969,956)	P -
Financial assets at FVOCI Berjaya Philippines, Inc. (BCOR)	+107.67%	-107.67%	-	1,473,685,078	-	(1,473,685,078)
			P 256,969,956	**P 1,473,658,078**	**(P 256,969,956)**	**(P 1,473,685,078)**
2017						
Financial assets at FVPL	+16.99%	-16.99%	P 162,491,580	P -	(P 162,491,580)	P -
AFS financial assets BCOR	+53.02%	-53.02%	-	962,450,575	-	(962,450,575)
			P 162,491,580	P 962,450,575	(P 162,491,580)	(P 962,450,575)

The investments in equity securities (classified as financial assets at FVOCI, previously 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, 2018 and 2017 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

5.1 *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 analyzed as follows:

	Notes	2018 Carrying Amounts	2018 Fair Values	2017 Carrying Amounts	2017 Fair Values
Financial assets					
At amortized cost (previously loans and receivables):					
Cash	7	**P 95,993,987**	**P 95,993,987**	P 105,019,902	P 105,019,902
Receivables – net	10	**2,570,476,324**	**2,570,476,324**	2,875,963,423	2,875,963,423
CTGF	13	**17,761,111**	**17,761,111**	-	-
		2,684,231,422	**2,684,231,422**	2,980,983,325	2,980,983,325
Financial assets at FVPL	8	**820,466,014**	**820,466,014**	956,395,411	956,395,411
Financial assets at FVOCI	9	**1,380,924,211**	**1,380,924,211**	-	-
AFS financial assets	9	**-**	**-**	1,829,878,313	1,829,878,313
		P 4,885,621,647	**P4,885,621,647**	P 5,767,257,049	P 5,767,257,049
Financial liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	14	**P 4,108,283,478**	**P4,108,283,478**	P 4,086,835,020	P 4,086,835,020
Due to customers	15	**214,826,790**	**214,826,790**	371,563,965	371,563,965
Accounts payable and other other liabilities	16	**115,455,928**	**115,455,928**	135,443,674	135,443,674
		P 4,438,566,196	**P4,438,566,196**	P 4,593,842,659	P 4,593,842,659

5.2 *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:

	Notes	Gross amounts recognized in the consolidated statements of financial position: Financial assets	Gross amounts recognized in the consolidated statements of financial position: Financial liabilities setoff	Net amount presented in the consolidated statements of financial position
December 31, 2018				
Due from (to) clearing house	16	**P 45,054,917**	**(P 65,449,439)**	**(P 20,394,522)**
December 31, 2017				
Due from (to) clearing house	10	P 508,319,475	(P 370,487,060)	P 137,832,415

Certain amounts of ASC's due from customers are setoff with certain amounts of its due to customers. The Parent Company and ACIC agreed with the ASC's directors and key officers in an offsetting arrangement wherein 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 and ACIC.

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 setoff in 2018 and 2017 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.

The Group also has cash in certain local banks to which it has outstanding loans. In case of the Group's default on loan amortization, cash in bank amounting to P7,541,762 and P4,276,496 can be applied against its outstanding loans amounting to P60,000,000 and P50,000,000 as of December 31, 2018 and 2017, respectively (see Notes 7 and 14).

5.3 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.

5.4 Financial Instrument Measured at Fair Value

The tables in the succeeding page 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, 2018 and 2017.

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets at FVPL	P 820,466,014	P -	P -	P 820,466,014
Financial assets at FVOCI	1,368,705,376	6,870,000	5,348,835	1,380,924,211
	P 2,189,171,390	**P 6,870,000**	**P 5,348,835**	**P 2,201,390,225**
December 31, 2017				
Financial assets at FVPL	P 956,395,411	P -	P -	P 956,395,411
AFS financial assets	1,815,259,478	6,270,000	-	1,821,529,478
	P 2,771,654,889	P 6,270,000	P -	P 2,777,924,889

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 5.3). On the other hand, the fair values of the club shares under Level 2 were determined using the prices published by an SEC-registered club share broker. With respect to equity securities held in a private company, such is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

Investments in unquoted equity securities amounting to P8,348,835, which are measured at cost because the fair value cannot be reliably measured, are not included in the fair value hierarchy as of December 31, 2017 under PAS 39 (see Note 9).

There were no financial liabilities measured at fair value as of December 31, 2018 and 2017 and neither were there transfers among fair value hierarchies in both years.

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

The tables below 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
December 31, 2018				
Financial assets:				
Cash	P 95,993,987	P -	P -	P 95,993,987
Receivables - net	-	-	2,570,476,324	2,570,476,324
CTGF	-	-	17,761,111	17,761,111
	P 95,993,987	**P -**	**P 2,588,237,435**	**P 2,684,231,422**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 4,108,283,478	P 4,108,283,478
Due to customers	-	-	214,826,790	214,826,790
Accounts payable and other liabilities	-	-	115,455,928	115,455,928
	P -	**P -**	**P 4,438,566,196**	**P 4,438,566,196**

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Financial assets:				
Cash	P 105,019,902	P -	P -	P 105,019,902
Receivables - net	-	-	2,875,963,423	2,875,963,423
	P 105,019,902	P -	P 2,875,963,423	P 2,980,983,325
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 4,086,835,020	P 4,086,835,020
Due to customers	-	-	371,563,965	371,563,965
Accounts payable and other liabilities	-	-	135,443,674	135,443,674
	P -	P -	P 4,593,842,659	P 4,593,842,659

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 in the preceding page, 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.

5.6 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 both in December 31, 2018 and 2017 and is 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 13.3).

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 6.00% to 7.00% in 2018 and 4.25% to 6.88% in 2017 (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.

When the Group prepares its investor presentations and/or when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented below.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for leases accounted for under PAS 17 and disclosed herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The tables in the succeeding pages present revenue and profit information regarding industry segments for the years ended December 31, 2018, 2017 and 2016 and certain assets and liabilities information regarding industry segments as at December 31, 2018, 2017 and 2016.

	December 31, 2018					
	Securities Brokerage	**Investment Banking**	**Leasing and Others**	**Total before Elimination**	**Elimination**	**Group**
Revenues :						
External	P 248,528,470	P 36,937,635	P 169,252	P 285,635,357	P -	P 285,635,357
Inter-segment	77,286	345,726,931	9,289,648	355,093,865	(355,093,865)	-
	248,605,756	382,664,566	9,458,900	640,729,222	(355,093,865)	285,635,357
Expenses:						
External	175,892,239	335,302,398	121,144,217	632,338,853	-	632,338,853
Inter-segment	50,173,528	1,295,463	3,344,873	54,813,865	(54,813,865)	-
	226,065,767	336,597,861	124,489,090	687,152,718	(54,813,865)	632,338,853
Profit (loss) before tax	**P 22,539,989**	**P 46,066,705**	**(P 115,030,190)**	**(P 46,423,496)**	**(P 300,280,000)**	**(P 346,703,496)**
Tax expense	**P 6,841,424**	**P 38,303,650**	**P 1,754,356**	**P 46,899,430**	**P -**	**P 46,899,430**
Net profit (loss)	**P 15,698,565**	**P 7,763,055**	**(P 116,784,546)**	**(P 93,322,926)**	**(P 300,280,000)**	**(P 393,602,926)**
Segment assets	**P 751,203,363**	**P 4,716,842,741**	**P 671,592,131**	**P 6,139,638,235**	**(P 973,046,980)**	**P 5,166,591,255**
Segment liabilities	**P 371,352,873**	**P 3,720,725,752**	**P 601,002,054**	**P 4,693,080,679**	**(P 155,568,222)**	**P 4,537,512,457**
Other segment items:						
Interest expense	**P 35,419,597**	**P 230,913,894**	**P 34,454,591**	**P 300,788,082**	**(P 34,870,619)**	**P 265,917,463**
Capital expenditures	**P 4,311,319**	**P -**	**P -**	**P 4,311,319**	**P -**	**P 4,311,319**
Depreciation and amortization	**P 10,490,149**	**P 1,118,711**	**P 4,631,184**	**P 16,240,044**	**P -**	**P 16,240,044**

	December 31, 2017					
	Securities Brokerage	Investment Banking	Leasing and Others	Total before Elimination	Elimination	Group
Revenues :						
External	P 207,604,884	P 259,341,484	P 7,347,391	P 474,293,759	P -	P 474,293,759
Inter-segment	146,424	36,200,223	8,282,016	44,628,663	(44,628,663)	-
	207,751,308	295,541,707	15,629,407	518,922,422	(44,628,663)	474,293,759
Expenses:						
External	147,289,696	261,072,140	43,954,906	452,316,742	-	452,316,742
Inter-segment	43,833,108	379,358	136,197	44,348,663	(44,348,663)	-
	197,122,804	261,451,498	44,091,103	496,665,405	(44,348,663)	452,316,742
Profit (loss) before tax	P 16,628,504	P 34,090,209	(P 28,461,696)	P 22,257,017	(P 280,000)	P 21,977,017
Tax expense	P 4,014,933	P 37,053,063	P 280,981	P 41,348,977	P -	P 41,348,977
Net profit (loss)	P 12,613,571	(P 2,962,854)	(P 28,742,677)	(P 19,091,960)	(P 280,000)	(P 19,371,960)
Segment assets	P 933,449,625	P 5,268,555,048	P 769,757,185	P 6,971,761,858	(P 887,530,161)	P 6,084,231,697
Segment liabilities	P 561,470,172	P 3,566,407,885	P 582,382,561	P 4,710,260,618	(P 70,331,400)	P 4,639,929,218
Other segment items:						
Interest expense	P 27,232,147	P 205,311,866	P 35,145,561	P 267,689,574	(P 26,538,652)	P 241,150,922
Capital expenditures	P 23,740,844	P 119,928	P -	P 23,860,772	P -	P 23,860,772
Depreciation and amortization	P 8,013,527	P 1,128,989	P 4,631,180	P 13,773,696	P -	P 13,773,696

	December 31, 2016					
	Securities Brokerage	Investment Banking	Leasing and Others	Total before Elimination	Elimination	Group
Revenues :						
External	P 213,309,721	P 133,972,187	P 68,769,236	P 416,051,144	P -	P 416,051,144
Inter-segment	80,256	36,869,800	13,870,077	50,820,133	(50,820,133)	-
	213,389,977	170,841,987	82,639,313	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 67,049,800)	P 43,350,640	P 16,561,530	(P 5,021,968)	P 11,539,562
Tax expense	P 13,332,431	P 1,468,110	P 262,309	P 15,062,850	P -	P 15,062,850
Net profit (loss)	P 26,928,259	(P 68,517,910)	P 43,088,331	P 1,498,680	(P 5,021,968)	(P 3,523,288)
Segment assets	P 804,813,727	P 5,484,674,256	P 738,806,253	P 7,028,294,236	(P 972,487,433)	P 6,055,806,803
Segment liabilities	P 440,484,216	P 2,991,717,019	P 528,189,436	P 3,960,390,671	(P 152,141,983)	P 3,808,248,688
Other segment items:						
Interest expense	P 26,883,786	P 185,704,352	P 30,721,302	P 243,309,440	(P 25,906,856)	P 217,402,584
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 1,148,734	P 4,631,184	P 11,498,505	P -	P 11,498,505

7. CASH

This account includes the following:

	2018	2017
Cash in banks	**P 95,907,366**	P 104,933,281
Cash on hand	**86,621**	86,621
	P 95,993,987	P 105,019,902

In compliance with the Securities Regulation Code (SRC) Rule 49.2 covering customer protection, reserves and custody of securities, the Group maintains a special reserve bank account for the exclusive benefit of its customers in relation to the Group's securities and brokerage business. Reserve requirement is determined on a monthly basis using SEC-prescribed computation. The bank account has an unrestricted balance of P25,861,862 and P45,359,652 as of December 31, 2018 and 2017, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVPL are composed of equity securities with a total fair value amounting to P820,466,014 and P956,395,411 as of December 31, 2018 and 2017, 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 prices 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, if any, the last transacted price was used in the determination of fair value.

The net gain on sale of financial assets at FVPL amounting to P90,775,179, P59,488,085, and P57,747,281 in 2018, 2017, and 2016, respectively, are presented under Gain on Sale of Financial Assets at FVPL in the consolidated statements of profit or loss.

The Group recognized changes in fair value of financial assets at FVPL amounting to losses of P105,993,726 in 2018 and P3,438,627 in 2017 and presented under Fair Value Losses on Financial Assets at FVPL account in the 2018 and 2017 consolidated statements of profit and loss. The Group also recognized changes in fair value of financial assets at FVPL amounting to a gain of P79,475,778 in 2016 and presented under Fair Value Gains on Financial Assets at FVPL in the 2016 consolidated statement of profit or loss.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AFS FINANCIAL ASSETS IN 2017)

Financial assets at FVOCI include the following:

	2018	2017
BCOR	**P 1,368,705,376**	P 1,815,259,478
Others	**12,218,835**	14,618,835
	P 1,380,924,211	P 1,829,878,313

The movements of financial assets at FVOCI are as follows:

	Note	2018	2017
Balance at beginning of year		**P 1,829,878,313**	P 2,397,978,166
Unrealized fair value (losses) – net	17.2	**(341,313,037)**	(561,803,050)
Disposals		**(120,474,274)**	(31,765,352)
Additions		**12,833,209**	250,204,385
Realized fair value gains transferred to profit or loss	17.2	**-**	(224,735,836)
Balance at end of year		**P 1,380,924,211**	P 1,829,878,313

Other financial assets at FVOCI pertain to other equity securities and proprietary membership in golf and country club shares.

Fair value losses on financial assets at FVOCI amounting to P341,313,037 are presented in the 2018 consolidated statement of comprehensive income under items that will not be reclassified subsequently to profit or loss. Meanwhile, fair value losses on AFS financial assets amounting to P561,803,050 in 2017 and fair value gains amounting to P221,477,502 in 2016 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 P224,735,836 and P92,425,144 in 2017 and 2016, respectively, were realized and reclassified from equity and are presented as Gain on Sale of Available-for-sale Financial Assets in the consolidated statements of profit or loss.

Net cumulative fair value changes on financial assets at FVOCI (AFS financial assets in 2017) amounted to P769,674,222 and P1,194,681,692 as of December 31, 2018 and 2017, respectively, and are presented as part of the Revaluation Reserves account in the consolidated statements of financial position (see Note 17.2).

10. RECEIVABLES

The breakdown of this account is as follows:

	Notes	2018	2017
Current:			
Due from customers/brokers	10.2	**P 2,012,964,578**	P 2,013,606,193
Due from clearing house	5.2	**-**	137,832,415
Management fees	11.1	**25,500,000**	51,000,000
Accounts receivable	11.2	**10,859,714**	12,905,347
Others	11.3, 11.5	**15,206,840**	9,929,969
		2,064,531,132	2,225,273,924
Non-current:			
Equity margin loans	10.1	**621,010,178**	631,010,178
Accounts receivable	10.3, 11.2	**167,687,794**	173,910,002
Notes receivables	10.4	**74,437,238**	72,963,743
Interest receivables	10.4	**65,141,630**	65,141,630
Others		**5,279,710**	4,221,059
		933,556,550	947,246,612
		2,998,087,682	3,172,520,536
Allowance for impairment		**(427,611,358)**	(296,557,113)
		P 2,570,476,324	P 2,875,963,423

All receivables of the Group have been assessed for ECL allowance in 2018 and reviewed for indications of impairment in 2017. Portion of receivables from customers and certain counterparties are found to be individually impaired and provisions have been recognized accordingly.

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below [see Note 4.3(b)].

	2018	2017
Balance at beginning of year		
As previously reported	**P 296,557,113**	P 289,326,103
Effect of adoption of PFRS 9	**85,029,147**	-
As restated	**381,586,260**	289,326,103
Impairment losses	**48,698,879**	7,231,010
Reversal of impairment losses	**(2,673,781)**	-
Balance at end of year	**P 427,611,358**	P 296,557,113

Impairment losses amounting to P48,698,879, P7,231,010 and P5,000,000 in 2018, 2017 and 2016, respectively, are presented under Impairment Losses on Receivables in the consolidated statements of profit or loss. The reversal of impairment losses amounting to P2,673,782 is presented under Others of the Income section in the 2018 consolidated statement of profit or loss. There was no similar transaction in 2017 and 2016.

10.1 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 P457,392,631 and P596,740,122 as of December 31, 2018 and 2017, respectively.

10.2 Due from/to Customers/Brokers

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.

10.3 Accounts Receivable

Accounts receivable include a receivable from Kestrel Resources Philippines, Inc. (Kestrel) (a third party engaged in purchasing receivables) amounting to P95,467,026 and P100,467,026 as of December 31, 2018 and 2017, respectively, which arose from an Assignment of Receivables Agreement (the 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, 2021. 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 13.3).

Under the terms of the assignment, Kestrel granted the Group a call option on all but not part of the receivables, including uncollected but accrued interest earnings, which had not been collected at the time of the exercise of the call option. The call option was exercisable by the Group any time prior to November 30, 2016. The exercise price of the call option was equal to the uncollected principal of the receivables. The portion of the receivables already collected prior to the exercise of the call option constituted the remaining obligation of Kestrel to the Group which was payable on or before December 31, 2021. The call option was considered closely related to its host contract since the exercise price on each exercise date was 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. In 2018 and 2017, the Group collected P5,000,000 and P2,000,000 on these receivables. As of December 31, 2018 and 2017, the Group has provided allowance for impairment on Kestrel's account amounting to P80,467,026 and P40,000,000, respectively.

10.4 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, 2018, 2017 and 2016 presented below:

Related Party Category	Notes	2018 Amount of Transactions	2018 Outstanding Balances	2017 Amount of Transactions	2017 Outstanding Balances	2016 Amount of Transactions	2016 Outstanding Balances
Related Parties Under Common Ownership or Directorship:							
Management fees	11.1	**P 30,000,000**	**P 25,500,000**	P 30,000,000	P 51,000,000	P 40,000,000	P 42,500,000
Lease of properties	11.3	**1,362,485**	**5,763,587**	2,492,842	4,561,822	137,826	2,285,505
Employees –							
Granting (collections) of advances	11.2	**799,154**	**6,783,713**	(551,974)	5,984,559	(4,851,802)	6,536,533
Key management Personnel:							
Compensation	11.4	**24,229,398**	**-**	22,004,623	-	21,172,267	-
Acquisition of transportation equipment	11.5	**2,536,607**	**5,941,840**	6,619,180	6,585,079	-	-
Transfer of transportation equipment	11.5	**-**	**-**	1,236,667	-	-	-
Fair value of plan assets	11.6	**-**	**32,583,565**	-	30,615,920	-	30,254,228

All of the Group's receivables from related parties were subjected to the ECL assessment in 2018 and have been reviewed for indications of impairment in 2017. Based on management's assessment, no impairment losses are required to be recognized on these receivables at the end of each reporting period.

11.1 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 P30,000,000 both in 2018 and 2017, and P40,000,000 in 2016, and are presented as Management Fees in the consolidated statements of profit or loss. Management fees receivable amounts to P25,500,000 and P51,000,000 as of December 31, 2018 and 2017, respectively, and are unsecured, noninterest-bearing and collectible in cash upon demand. These receivables are presented as part of Receivables in the consolidated statements of financial position (see Note 10).

11.2 Granting of Advances

The Group grants unsecured loans to employees with interest rate at 4.00% in 2018 and interest rates ranging from 6.00% to 12.00% in both 2017 and 2016. Receivables, which are unsecured and noninterest-bearing, from employees as of December 31, 2018 and 2017 amount to P6,783,713 and P1,095,572, respectively. These are presented as part of Accounts receivable under the Receivables account in the consolidated statements of financial position (see Note 10.3).

11.3 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 P1,362,485 in 2018, P2,492,842 in 2017, and P137,826 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 P5,763,587 and P4,561,822 as of December 31, 2018 and 2017, respectively, 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, noninterest-bearing and collectible in cash upon demand.

11.4 Key Management Personnel Compensation

Short-term benefits to key management personnel amounted to P24,229,398, P22,004,623, and P21,172,267 in 2018, 2017, and 2016, respectively, and is presented as part of Salaries and employee benefits account in the consolidated statements of profit or loss.

11.5 Transfer and Acquisition of Equipment

In 2018 and 2017, the Group acquired certain transportation equipment through finance lease arrangements (see Note 12). The capitalized cost of the acquired transportation equipment is only up to certain limit cognizant to the car executive plan policy of the Group while the remaining difference, i.e. between the cost to acquire the equipment and the cost covered by the plan policy, is recorded as receivables from employees, which is presented as part of Others under Receivables account in the consolidated statements of financial position (see Note 10). The outstanding balance is unsecured and noninterest-bearing.

In 2017, the Group transferred certain transportation equipment to its key management personnel with a carrying amount of P1,236,667 (see Note 12). The Group received cash settlement arising from this transaction equal to the carrying amount of the assets transferred; hence, no gain or loss recognized.

11.6 Retirement Plan

The Group's plan assets are maintained and consolidated under a multi-employer retirement plan which is administered and managed under a trust agreement with a trustee bank. The fair value and the composition of the plan assets as of December 31, 2018 and 2017 are presented in Note 18.2.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment, at the beginning and end of 2018 and 2017 are shown below.

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Total
December 31, 2018						
Cost	P 114,435,714	P 23,616,464	P 38,250,660	P 23,329,019	P 8,751,581	P 208,383,438
Accumulated depreciation and amortization	(95,166,938)	(16,593,630)	(21,280,938)	(21,101,196)	(8,604,054)	(162,746,756)
Net carrying amount	**P 19,268,776**	**P 7,022,834**	**P 16,969,722**	**P 2,227,823**	**P 147,527**	**P 45,636,682**
December 31, 2017						
Cost	P 114,435,714	P 22,853,868	P 35,714,053	P 22,352,792	P 8,715,692	P 204,072,119
Accumulated depreciation and amortization	(89,468,782)	(14,761,934)	(16,639,042)	(19,555,060)	(8,510,921)	(148,935,739)
Net carrying amount	P 24,966,932	P 8,091,934	P 19,075,011	P 2,797,732	P 204,771	P 55,136,380
January 1, 2017						
Cost	P 114,435,714	P 22,611,173	P 15,782,015	P 19,903,420	P 8,715,692	P 181,448,014
Accumulated depreciation and amortization	(83,770,627)	(12,851,842)	(13,892,013)	(18,179,057)	(8,260,980)	(136,954,519)
Net carrying amount	P 30,665,087	P 9,759,331	P 1,890,002	P 1,724,363	P 454,712	P 44,493,495

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017 of property and equipment is shown below.

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 24,966,932	P 8,091,934	P 19,075,011	P 2,797,732	P 204,771	P 55,136,380
Additions	-	762,596	2,536,607	976,227	35,889	4,311,319
Depreciation and amortization charges for the year	(5,698,156)	(1,831,696)	(4,641,896)	(1,546,136)	(93,133)	(13,811,017)
Balance at December 31, 2018, net of accumulated depreciation and amortization	**P 19,268,776**	**P 7,022,834**	**P 16,969,722**	**P 2,227,823**	**P 147,527**	**P 45,636,682**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 30,665,087	P 9,759,331	P 1,890,002	P 1,724,363	P 454,712	P 44,493,495
Additions	-	242,695	21,168,705	2,449,372	-	23,860,772
Disposals	-	-	(1,236,667)	-	-	(1,236,667)
Depreciation and amortization charges for the year	(5,698,155)	(1,910,092)	(2,747,029)	(1,376,003)	(249,941)	(11,981,220)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 24,966,932	P 8,091,934	P 19,075,011	P 2,797,732	P 204,771	P 55,136,380

The depreciation of property and equipment is presented as part of Depreciation and amortization account in the consolidated statements of profit or loss.

In 2018 and 2017, certain transportation equipment with cost amounting to P2,536,607 and P21,168,705, respectively, were acquired through finance lease arrangements in (see Notes 11.5, 14 and 23.3). The acquired transportation equipment with carrying values amounting to P2,128,452 and P19,075,007 as of December 31, 2018 and 2017, respectively, were used as collateral to secure these finance leases.

Also, in 2017, certain items of transportation equipment with a carrying amount of P1,236,667 were transferred to the certain key management personnel of the Group (see Note 11.5). These items were sold at carrying amounts, thus, no gain or loss on disposal was recognized. There was no similar transaction in 2018.

As of December 31, 2018 and 2017, the cost of fully-depreciated assets that are still used by the Group amounts to P34,057,723 and P29,990,988, respectively.

13. OTHER ASSETS

The breakdown of this account is as follows:

	Note	2018	2017
Current –			
Prepayments		**P 2,500,854**	P 5,182,726
Non-current:			
Creditable withholding taxes	13.2	**120,449,813**	115,386,029
Goodwill	13.1	**84,584,951**	84,584,951
CTGF	13.7	**17,761,111**	-
Deferred oil exploration costs	13.4	**15,418,003**	15,418,003
Computer software	13.6	**3,065,579**	5,494,604
Trading right	13.5	**1,408,000**	1,408,000
Others		**3,319,009**	3,653,264
		246,006,466	225,944,851
		248,507,320	231,127,577
Allowance for impairment of goodwill	13.1	**(49,260,596)**	(49,260,596)
Allowance for non-recoverability of deferred oil exploration costs	13.4	**(15,418,003)**	(15,418,003)
		P 183,828,721	P 166,448,978

13.1 Goodwill

The carrying amount of Goodwill as of December 31, 2018 and 2017 is shown below.

Cost	P 84,584,951
Allowance for impairment	(49,260,596)
	P 35,324,355

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. Some of the key assumptions that have been considered which have significant impact on the results of management's assessment are as follows:

- 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.

Based on the assessment of the Group's management, ASC's continued profitability indicated that no additional impairment loss is necessary in 2018, 2017 and 2016.

The value-in-use of the CGU was determined using performance forecasts for three years and extrapolating cash flows beyond the projection period using a steady terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the CGU. Management has also determined that a reasonably possible change in the key assumptions used would not cause the carrying value of the CGU to exceed their respective value-in-use.

13.2 Creditable Withholding Taxes

This account represents accumulated income tax credits of the Group that remained unapplied as of December 31, 2018 and 2017. These income tax credits will be applied against future income tax liabilities.

13.3 Investment Properties

The Group's investment properties consist mostly of condominium units located in Nasugbu and Batulao, Batangas which were acquired by the Group in February 2000. The condominium units were acquired as a result of the *dacion en pago* arrangement with a major customer as a partial settlement of outstanding loans (see Note 10.3). In 2018 and 2017, the Group's investment properties were not leased out to other parties.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. As of December 31, 2018 and 2017, the cost of condominium units amounting to P70,897,472 has accumulated depreciation and impairment losses amounting to P69,002,794 and P1,894,678 respectively, which resulted in nil book values of the assets as of the same reporting periods.

These properties are classified as Level 3 in fair value hierarchy. The Group determines the fair values of the investment properties by using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility (see Note 5.6).

The Group has not incurred any cost related to its investment property during the reporting periods. No depreciation expense was recorded as the Group's investment properties are fully depreciated as at December 31, 2018 and 2017.

13.4 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.

13.5 Trading Right

As required under PSE rules, the Group's trading right (previously the Exchange Membership Seat) is pledged at its full value to the PSE to secure the payment of all debts to other members of the PSE arising out of, or in connection with, the present or future member's contracts.

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, 2018 and 2017, and the expected recoverable amount, the trading right is not impaired.

13.6 Computer Software

Computer software pertains to the Group's online platform, MyTrade, which was launched in April 2017 and developed by a third party. The total capitalized cost amounting to P7,287,080 included additional costs incurred for the completion and installation of the software amounting to P766,377.

The movements in this account as of December 31 are as follows:

	2018	2017
Carrying amount at beginning of year	**P 5,494,606**	P -
Amortization during the year	**(2,429,027)**	(1,792,476)
Additions	**-**	766,377
Reclassifications	**-**	6,520,703
Carrying amount at end of year	**P 3,065,579**	P 5,494,604

The amortization is presented as part of Depreciation and Amortization account in the consolidated statements of profit or loss. Total accumulated amortization as of December 31, 2018 and 2017 amounted to 5,453,466 and P3,024,438, respectively.

In 2017, the Group reclassified advances to a supplier of P6,520,703 upon full installation of the computer software.

Also, as of December 31, 2018 and 2017, the Group has fully-amortized computer software with a gross carrying amount of P1,231,962 that is still being used in operations.

13.7 CTGF

Clearing and trade guaranty fund pertains to contributions made by the Group to the Securities Clearing Corporation of the Philippines (SCCP) which shall be refundable to the Group upon cessation of business and/or termination of their membership with the SCCP.

In 2018, the Group recognized as income P16,411,527, which were recognized as SCCP fees in prior years, in relation to Memo 01-0718, *Return of Contributions to the Clearing and Trade Guaranty Fund*, issued by the SCCP revising Rule 5.2, *Return on Required Contributions*, on the treatment of cash contributions to the clearing fund from outright expense to refundable asset. This is presented as part of Others under Revenues section of the 2018 consolidated statement of profit or loss.

14. INTEREST-BEARING LOANS AND BORROWINGS

As of December 31, this account consists of:

	2018	2017
Current:		
Notes payable	**P 4,034,817,647**	P 4,017,256,849
Bank loans	**60,000,000**	50,000,000
Finance lease liability	**9,774,194**	8,078,486
	4,104,591,841	4,075,335,335
Non-current –		
Finance lease liability	**3,691,637**	11,499,685
	P 4,108,283,478	P 4,086,835,020

Notes payable represents short-term unsecured loans from various funders bearing annual interest at rates ranging from 6.00% to 7.00%, 4.25% to 6.88%, and 5.00% to 7.00% in 2018, 2017 and 2016, respectively. Interest expense pertaining to these interest-bearing loans and borrowings, which is presented as part of the Finance Costs in the consolidated statements of profit or loss, amounted to P260,448,148, P239,661,872, and P214,975,606 in 2018, 2017 and 2016, respectively, with related accrued interests of P26,321,681 and P21,936,521, as of December 31, 2018 and 2017, 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 20.2).

ASC made cumulative drawdowns from its existing credit lines from local commercial banks amounting to P210,000,000 and P187,000,000 in 2018 and 2017, respectively, gross of repayments, for working capital requirements (see Note 23.4). The outstanding balance of these loans as of December 31, 2018 and 2017 amounts to P60,000,000 and P50,000,000, respectively. The loans are payable within three months with rollover options and are subject to annual effective interest rates ranging from 5.15% to 7.50% in 2018 and 5.00% to 6.00% in 2017. Interest expense pertaining to these loans amounted to P4,112,236, P759,882, and P2,426,978 in 2018, 2017 and 2016, respectively, and is included as part of Finance Costs in the consolidated statements of profit or loss (see Note 20.2). There is no interest payable as of December 31, 2018 and 2017 related to these loans. There are no significant restrictive loan covenants or provisions related to these loans.

In 2018 and 2017, the Group entered into various finance lease agreements with local commercial banks for the acquisition of certain transportation equipment amounting to P2,536,607 and P21,168,705, respectively (see Notes 12 and 23.3). Obligations under finance leases are payable in three years and are subject to average annual effective interest rates of ranging from 4.50% to 8.00% in 2018 and 8.41% and 10.87% in 2017. Uniform lease payments are made on a monthly basis. The outstanding balance of these finance leases as of December 31, 2018 and 2017 amounts to P13,465,831 and P19,578,171, respectively and is presented as part of Interest-bearing Loans and Borrowings account in the consolidated statements of financial position. Interest expense pertaining to these finance leases amounted to P1,356,969 in 2018 and P729,168 in 2017, and is shown as part of Finance Costs in the consolidated statements of profit or loss (see Note 20.2). There is no outstanding interest payable as of December 31, 2018 and 2017 related to these finance leases.

The fair values of long-term financial liabilities, if any, have been determined by calculating their present values at the reporting 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.

Presented below is the reconciliation between the opening and closing balances of the Group's liabilities arising from these financing activities.

	2018	2017	2016
Balance at beginning of year	**P 4,086,835,020**	P 3,451,593,736	P 2,841,164,824
Cash flows from financing activities:			
Additional loan availments	**517,713,207**	1,443,185,880	1,461,706,306
Repayments of loans	**(498,801,356)**	(983,405,160)	(851,277,394)
Non-cash financing activities:			
Roll-over of interest	**-**	154,291,859	-
Transportation equipment acquired through finance leases	**2,536,607**	21,168,705	-
Balance at end of year	**P 4,108,283,478**	P 4,086,835,020	P 3,451,593,736

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, 2018 and 2017 amounted to P214,826,790 and P371,563,965, respectively.

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	Notes	2018	2017 [As Restated – see Note 2.1(b)]
Current:			
Accounts payable and accrued expenses	14	**P 134,369,290**	P 125,181,542
Withholding and other taxes payable		**24,492,712**	16,687,667
Due to clearing house	5.2	**20,394,522**	-
Dividend payable		**-**	613,242
Others		**7,417,413**	9,185,133
		186,673,937	151,667,584
Non-current:			
Post-employment defined benefit obligation	18.2	**27,264,495**	29,398,892
Security deposits		**463,757**	463,757
		27,728,252	29,862,649
		P 214,402,189	P 181,530,233

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

17. EQUITY

17.1 Capital Stock and Treasury Shares

As of December 31, 2018 and 2017, 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

Treasury shares are presented under Treasury Shares account in the consolidated statements of changes in equity and do not form part of the outstanding shares.

Under the Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

17.2 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	Financial Assets at FVOCI (2017: AFS Financial Assets) (see Note 9)	Post-employment Benefit Obligation (see Note 18.2)	Total
Balance as of January 1, 2018		P 1,194,681,692	(P 6,669,294)	P 1,188,012,398
Remeasurements of post-employment defined benefit obligation	18.2(b)	-	2,273,328	2,273,328
Unrealized fair value losses on financial assets at FVOCI	9	(341,313,037)	-	(341,313,037)
Tax expense	21	-	(824,362)	(824,362)
Other comprehensive income (loss)		(341,313,037)	1,448,966	(339,864,071)
Transfer to Retained Earnings - Fair value gains on disposed financial assets at FVOCI	9	(83,694,433)	-	(83,694,433)
Balance as of December 31, 2018		**P 769,674,222**	**(P 5,220,328)**	**P 764,453,894**
Balance as of January 1, 2017		P 1,981,220,578	(P 9,324,504)	P 1,971,896,074
Remeasurements of post-employment defined benefit obligation	18.2(b)	-	3,024,538	3,024,538
Unrealized fair value gains on AFS financial assets	9	(561,803,050)	-	(561,803,050)
Fair value gains on disposed AFS financial assets reclassified to profit or loss	9	(224,735,836)	-	(224,735,836)
Tax expense	21	-	(369,328)	(369,328)
Other comprehensive income (loss)		(786,538,886)	2,655,210	(783,883,676)
Balance as of December 31, 2017		P 1,194,681,692	(P 6,669,294)	P 1,188,012,398
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	18.2(b)	-	349,328	349,328
Unrealized fair value gains on AFS financial assets		221,477,502	-	221,477,502
Fair value gains on disposed AFS financial assets reclassified to profit or loss		(92,425,144)	-	(92,425,144)
Tax expense	21	-	13,550	13,550
Other comprehensive income		129,052,358	362,878	129,415,236
Balance as of December 31, 2016		P 1,981,220,578	(P 9,324,504)	P 1,971,896,074

17.3 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 2018 and 2017 debt-to-equity ratio of the Group:

	2018	2017
Total liabilities	**P 4,537,512,457**	P 4,639,929,218
Total equity	**629,078,798**	1,444,302,479
Debt-to-equity ratio	**7.21:1.00**	3.21:1.00

17.4 Capital Requirements for ASC

17.4.1 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, a 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, 2018 and 2017, ASC is in compliance with minimum capital requirement set out by the RBCA framework. The ASC's RBCA ratio is 302.00% and 262.00% as of December 31, 2018 and 2017, respectively.

17.4.2 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 Deficit 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, 2018 and 2017, ASC is in compliance with PSE's Rules Governing Trading Rights and Trading Participants.

17.4.3 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 2018 and 2017 since ASC has a deficit amounting to P14,073,510 and P22,136,328 as of December 31, 2018 and 2017, respectively.

17.5 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, 2018 and 2017, ACIC is in compliance with minimum capital requirement set out by the RA No. 8366.

17.6 Track Record

On November 17, 1994, the SEC approved the listing of the Parent Company's shares totaling 1,193,200,000 (see Note 1.1). The shares were initially issued at an offer price of P1.00 per share. As of December 31, 2018 and 2017, there are 101 and 105 holders, respectively, of the listed shares equivalent to 100% of the Group's total outstanding shares. Such listed shares closed at P0.72 per share as of December 31, 2018 and 2017.

18. SALARIES AND EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Note	**2018**	2017	2016
Salaries and wages		**P 40,007,245**	P 37,642,384	P 36,585,033
Bonuses		**5,841,569**	6,569,106	6,648,656
Staff benefits		**5,044,070**	6,281,864	5,922,116
Retirement benefits	18.2	**3,579,998**	3,370,837	3,326,510
Social security costs		**1,406,194**	1,341,495	1,194,730
Other short-term benefits		**-**	62,967	33,266
		P 55,879,076	P 55,268,653	P 53,710,311

18.2 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, 2018 and 2017. Actuarial valuations are made each year to update the post-employment benefit costs and the amount of contributions. The latest actuarial valuation of the Group's retirement benefit plan was obtained for 2018 and 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 Consolidated Financial Statements

All amounts presented below are based on the actuarial valuation report obtained from an independent actuary. 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:

	2018	2017
Present value of the obligation	**P 59,848,060**	P 60,014,812
Fair value of plan assets	**(32,583,565)**	(30,615,920)
	P 27,264,495	P 29,398,892

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

	2018	2017
Balance at beginning of year	**P 60,014,812**	P 57,848,208
Current service cost	**3,579,998**	3,370,837
Interest expense	**3,420,844**	2,998,583
Benefits paid	**(901,640)**	(496,177)
Remeasurements –		
Actuarial gains arising from:		
Changes in financial assumptions	**(4,169,531)**	(459,477)
Experience adjustments	**(2,096,423)**	(3,247,162)
Balance at end of year	**P 59,848,060**	P 60,014,812

Actuarial gains arising from the changes in financial assumptions pertain to the substantial increase in discount rate (but partially offset by the decrease in expected salary increase rate), which reduced the actuarially determined obligation as of December 31, 2018 and 2017. On the other hand, the experience adjustments pertain to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

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

	2018	2017
Balance at beginning of year	**P 30,615,920**	P 30,254,228
Contributions	**5,000,000**	-
Remeasurement loss	**(3,992,626)**	(682,101)
Interest income	**1,861,911**	1,539,970
Benefits paid	**(901,640)**	(496,177)
Balance at end of year	**P 32,583,565**	P 30,615,920

The Retirement Trust Fund assets are valued at fair value using the mark-to-market valuation; hence, any decline in fair value due to mark-to-market valuation is recognized as remeasurement loss. While there are no significant changes in asset allocation expected in the next financial year, the Retirement Plan Trustee may make changes any time. Allocation of plan assets shown below.

	2018	2017
Government bonds	**P 16,257,062**	P 19,463,884
Unit Investment Trust Funds (UITFs)	**10,824,261**	9,882,818
Cash and cash equivalents	**5,502,242**	1,269,218
	P 32,583,565	P 30,615,920

The fair value of the 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 loss of P2,130,715 in 2018 and gain amounting to P857,869 in 2017.

As of December 31, 2018 and 2017, 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 of profit or loss and in the consolidated other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	2018	2017	2016
Reported in profit or loss:			
Current service cost	**P 3,579,998**	P 3,370,837	P 3,326,510
Net interest expense	**1,558,933**	1,458,613	1,487,325
	P 5,138,931	P 4,829,450	P 4,813,835
Reported in other comprehensive income:			
Actuarial gains arising from:			
Changes in financial assumptions	**P 4,169,531**	P 459,477	P 787,234
Experience adjustments	**2,096,423**	3,247,162	474,886
Remeasurement loss on plan assets	**(3,992,626)**	(682,101)	(912,792)
	2,273,328	3,024,538	349,328
Tax income (expense)	**(824,362)**	(369,328)	13,550
	P 1,448,966	P 2,655,210	P 362,878

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

Net interest expense is presented as part of Finance Costs account in the consolidated statements of profit or loss (see Note 20.2).

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:

	2018	2017	2016
Discount rates	**7.06%**	5.70%	4.77% - 5.38%
Expected salary increase rate	**6.00%**	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 13.1 years and 12.8 years for males and females, respectively in 2018 and 16.7 years and 13.4 years for males and females, respectively, in 2017. 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 post-employment defined benefit obligation as of December 31:

		Impact on Post-employment Defined Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2018			
Discount rate	**+/-1.0%**	**(P 944,905)**	**P 1,014,925**
Salary growth rate	**+/-1.0%**	**1,018,400**	**(965,950)**
2017			
Discount rate	+/-1.0%	(P 861,153)	P 940,091
Salary growth rate	+/-1.0%	672,294	(625,057)

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 post-employment defined benefit obligation.

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, 2018 and 2017 consists of debt securities and UITFs, although the Group also invests in cash and cash equivalents for liquidity purposes.

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 P27,264,495 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, 2018 and 2017 for the next 10 years are as follows:

	2018	2017
More than one year to five years	P 63,148,196	P 21,529,469
Between five years to 10 years	7,861,019	10,148,052
	P 71,009,215	P 31,677,521

The weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is 1.67 year.

19. OTHER EXPENSES

This account consists of:

	2018	2017	2016
Advertising and publicity	P 5,262,196	P 3,097,181	P 58,630
Subscription fees	4,916,986	-	-
Repairs and maintenance	4,013,417	1,660,535	2,633,357
Philippine Depository and Trust Corp. and clearing fees	3,804,578	5,066,323	3,957,586
Office supplies	2,351,489	2,370,772	2,085,869
Insurance	1,945,626	1,934,741	1,404,428
Condominium dues	1,648,779	2,226,031	2,334,629
Bank charges	224,240	146,309	66,181
Miscellaneous	3,461,412	3,026,748	1,516,586
	P 27,628,723	P 19,528,640	P 14,057,266

20. FINANCE INCOME (COSTS)

20.1 Finance Income

This consists of:

	Notes	2018	2017	2016
Interest income	7	**P 208,278**	P 487,994	P 356,375
Foreign exchange gain – net		**51,905**	-	-
		P 260,183	P 487,994	P 356,375

20.2 Finance Costs

This consists of:

	Notes	2018	2017	2016
Interest expense	14	**P 265,917,463**	P 241,150,922	P 217,402,584
Net interest cost on post-employment defined benefit plan	18.2	**1,558,933**	1,458,613	1,487,325
Foreign exchange loss – net		**-**	12,093	-
		P 267,476,396	P 242,621,628	P 218,889,909

21. TAXES

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

	2018	2017	2016
Recognized in profit or loss:			
Regular corporate income tax (RCIT) at 30%	**P 14,311,004**	P 7,327,191	P 10,257,015
Final tax at 20%	**2,425,984**	1,343,297	68,158
Minimum corporate income tax (MCIT) at 2%	**1,590,367**	1,411,714	1,561,117
	18,327,355	10,082,202	11,886,290
Deferred tax expense relating to origination and reversal of temporary differences	**28,572,075**	31,266,775	3,176,560
	P 46,899,430	P 41,348,977	P 15,062,850

	2018	2017	2016
Recognized in other comprehensive income –			
Deferred tax expense (income) on actuarial gains (losses) on post-employment defined benefit plan	**P 824,362**	P 369,328	(P 13,550)

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

	2018	2017	2016
Tax on pre-tax profit (loss)	**(P 104,011,049)**	P 6,593,105	P 3,461,869
Adjustments for income subjected to:			
Final tax at 20%	**707,269**	(29,549)	(3,404)
Stock transaction tax at ½ of 1%	**-**	(59,464,949)	-
Tax effects of:			
Non-deductible expenses	**86,025,295**	3,948,494	2,227,850
Unrecognized deferred tax asset on other temporary differences	**71,140,602**	3,418,948	1,500,000
Non-taxable income	**(59,414,161)**	(10,395,917)	(48,794,019)
Expiration and write-off of net operating loss carry-over (NOLCO) and MCIT	**36,069,186**	31,378,488	41,606,248
Unrecognized NOLCO	**16,295,505**	64,488,643	13,335,106
Unrecognized MCIT	**86,783**	1,411,714	1,580,307
Recognition of previously unrecognized deferred tax assets	**-**	-	148,893
Tax expense	**P 46,899,430**	P 41,348,977	P 15,062,850

The net deferred tax assets (DTA) as of December 31, 2018 and 2017 relate to the following:

	Consolidated Statements of Financial Position	
	2018	2017
Allowance for impairment	**P 59,487,732**	P 56,330,199
Post-employment defined benefit obligation	**4,085,806**	4,719,194
Fair value loss (gain) on investments at FVPL	**4,189,913**	(3,398,291)
Unamortized past service cost	**1,378,111**	1,545,248
Accrued short-term employee benefits	**123,754**	123,754
NOLCO	**-**	36,069,186
Net DTA	**P 69,265,316**	P 95,389,290

The deferred tax assets recognized significantly relate to a profit generating subsidiary and another subsidiary which is expected to generate taxable income in the next few years. The related management judgment on the realizability of such deferred tax assets is disclosed in Note 3.2(f).

	Consolidated Statements of Profit or Loss 2018	2017	2016
NOLCO	**P 36,069,186**	P 31,378,488	P -
Fair value gain on investments at FVPL	**(7,588,204)**	(2,830,968)	3,143,847
Post-employment defined benefit obligation	**(190,975)**	1,257,301	905,405
Unamortized past service cost	**167,136**	1,461,954	(872,692)
Allowance for impairment losses	**114,932**	-	-
Deferred tax expense - net	**P 28,572,075**	P 31,266,775	P 3,176,560

	Consolidated Statements of Comprehensive Income 2018	2017	2016
Actuarial gains	**P 2,273,328**	P 3,024,538	P 349,328
Deferred tax expense (income)	**P 824,362**	P 369,328	(P 13,550)

Details of unrecognized DTA as of December 31 are summarized below.

	2018		2017	
	Amount	**Tax Effect**	Amount	Tax Effect
NOLCO	**P 638,732,773**	**P 191,619,832**	P 422,830,886	P 126,849,266
Allowance for impairment losses	**168,765,531**	**50,629,659**	108,789,779	32,636,934
Allowance for non-recoverability of deferred oil exploration costs	**15,418,003**	**4,625,401**	15,418,003	4,625,401
Post-employment defined benefit obligation	**13,645,143**	**4,093,543**	13,668,249	4,100,474
MCIT	**4,582,388**	**4,582,388**	4,684,387	4,684,387
Past service cost	**5,416,690**	**1,625,007**	8,823,044	2,646,913
Accrued short-term employee benefits	**581,750**	**174,525**	581,750	174,525
	P 847,142,278	**P 257,350,355**	P 574,796,098	P 175,717,900

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

Year Incurred	**Parent**	**Subsidiaries**	**Expired Amount**	**Balance**	**End of Availment**
2018	P 186,542,850	P 54,320,564	P -	P 240,863,414	2021
2017	163,069,732	51,892,408	-	214,962,140	2020
2016	139,744,078	43,163,141	-	182,907,219	2019
2015	120,230,619	24,961,527	(145,192,146)	-	
	P 609,587,279	**P 174,337,640**	**(P 145,192,146)**	**P 638,732,773**	

As of December 31, 2017, the Parent Company has recognized DTA of P36,069,186 on NOLCO incurred in 2015, which was derecognized in 2018 simultaneous with the expiration of the related NOLCO.

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
2018	P 1,503,584	P 86,783	P -	P 1,590,367	2021
2017	1,315,972	95,742	-	1,411,714	2020
2016	1,397,927	182,380	-	1,580,307	2019
2015	1,405,465	286,901	(1,692,366)	-	
	P 5,622,948	**P 651,806**	**P 1,692,366**	**P 4,582,388**	

In 2018, 2017 and 2016, respective taxable entities within the Group claimed itemized deductions in computing for its income tax due.

22. LOSS PER SHARE

Loss per share is computed as follows:

	Note	**2018**	2017	2016
Net loss		**P 393,602,926**	P 19,371,960	P 3,523,288
Divided by the weighted average number of outstanding shares:				
Issued shares	17.1	**1,193,200,000**	1,193,200,000	1,193,200,000
Treasury shares	17.1	**(171,413,600)**	(171,413,600)	(171,413,600)
Outstanding shares		**1,021,786,400**	1,021,786,400	1,021,786,400
Loss per share		**P 0.3852**	P 0.0190	P 0.0034

As of December 31, 2018, 2017, and 2016, the Group has no outstanding potentially dilutive shares; hence, basic losses per share are equal to diluted loss per share in the years presented.

23. COMMITMENTS AND CONTINGENCIES

23.1 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.

23.2 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, 2018 and 2017 amounted to P1,226,786 and P2,504,748, respectively.

Total rentals from these operating leases amounted to P1,362,485 in 2018, P2,492,842 in 2017, and P137,826 in 2016, and are presented as part of Others under the Income section of the consolidated statements of profit or loss (see Note 11.3).

23.3 Finance Lease Arrangements

The Group has outstanding commitments from its finance lease agreements involving certain transportation equipment acquired in 2018 and 2017 (see Notes 12 and 14). The present value of the outstanding finance lease obligations, which are expected to be settled within one to three years, are presented as part of Interest-bearing Loans and Borrowings account in the consolidated statements of financial position. Interest expense pertaining to these finance leases is shown as part of Finance Costs in the consolidated statements of profit or loss.

The future minimum lease payment (MLP) under finance leases together with the present value (PV) of net minimum lease payments (NMLP) as of December 31, 2018 and 2017 follows:

	2018		2017	
	MLP	**PV of NMLP**	MLP	PV of NMLP
Within one year	**P 10,547,705**	**P 9,471,071**	P 9,613,397	P 8,078,486
After one year but not more than three years	**4,142,330**	**3,994,760**	12,220,353	11,499,685
	14,690,035	**13,465,831**	21,833,750	19,578,171
Amounts representing finance charges	**(1,224,204)**	**-**	(2,255,579)	-
	P 13,465,831	**P 13,465,831**	P 19,578,171	P 19,578,171

23.4 Credit Lines

As of December 31, 2018 and 2017, ASC has total credit line facilities of P1,070,000,000 and P1,245,000,00, respectively. The movements of ASC's available credit lines as of December 31, 2018 and 2017 are presented below (see Note 14).

	2018	2017
Balance at beginning of year	**P1,195,000,000**	P1,085,000,000
Additions (expirations)	**(225,000,000)**	100,000,000
Loan paydowns (drawdowns) – net	**(10,000,000)**	10,000,000
Balance at end of year	**P 960,000,000**	P1,195,000,000

23.5 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, 2018 and 2017, 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.

24. EVENT AFTER THE END OF REPORTING PERIOD

On February 20, 2019, RA 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (The Revised Corporation Code), was signed into law. Among the provisions of the Revised Corporation Code, the following would impact the Group's consolidated financial statements:

- The Revised Corporation Code removed the 50-year maximum corporate term. Hence, stock corporation may have unlimited life unless otherwise provided in the articles of incorporation; and,

- The Revised Corporation Code removed the subscription requirement of 25% of authorized capital stock and paid-up capital requirement of 25% of subscribed capital stock.

Management deems further that other amendments and new provisions contained in the Revised Corporation Code is not relevant to the Group.

P&A
Grant Thornton

An instinct for growth™

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of First Abacus Financial Holdings Corporation and Subsidiaries for the year ended December 31, 2018, on which we have rendered our report dated April 8, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements under the Securities Regulation Code Rule 68, as amended, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole..

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 7333693, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Securities and Exchange Commission
List of Supplementary Information
December 31, 2018

Schedule	Content
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68	
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-term Debt
F	* Indebtedness to Related Parties
G	* Guarantees of Securities of Other Issuers
H	Capital Stock
Others Required Information	
	Reconciliation of Retained Earnings Available for Dividend Declaration
	Schedule of Selected Financial Performance Indicators as of and for the years ended December 31, 2018 and 2017
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018
	Map Showing the Relationship Between the Parent Company and its Related Entities

* *These schedules and supplementary information are not included as these are not applicable to the Group.*

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule A - Financial Assets
December 31, 2018
(Amount in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
Financial Assets at Fair Value Through Profit or Loss				
2GO GROUP	92,691	P 1,277,282	P 13.78	P -
8990 HLDG	392,374	3,178,229	8.10	-
A BROWN	294,200	229,476	0.78	-
ABACORE CAPITAL	1,155,671	704,959	0.61	-
ABOITIZ EQUITY	357	19,635	55.00	-
ABOITIZ POWER	3,812	133,801	35.10	-
ABRA MINING	513,648,561	1,027,297	0.00	-
ABS CBN	6,576	131,520	20.00	-
ABS HLDG PDR	1,305	24,299	18.62	-
AC PREF B1	5	2,225	445.00	-
AC PREF B2	3	1,429	476.20	-
ACESITE HOTEL	1,440	2,016	1.40	-
AGRINURTURE	90,414	1,537,038	17.00	-
ALLIANCE GLOBAL	703	8,366	11.90	-
ALLIANCE SELECT	1,079,040	1,143,782	1.06	-
ALSONS CONS	100,144	128,184	1.28	-
ANCHOR LAND	50	573	11.46	-
ANGLO PHIL HLDG	3,419,940	2,735,952	0.80	-
ANSCOR	455,236	2,959,034	6.50	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
APC GROUP	8,255,100	P 3,343,316	P 0.41	P -
APEX MINING	496,875	829,781	1.67	-
APOLLO GLOBAL	380,775	14,850	0.04	-
ARANETA PROP	1,741	3,012	1.73	-
ARTHALAND CORP	20,378	19,563	0.96	-
ASIA UNITED	530	31,429	59.30	-
ASIABEST GROUP	17	442	26.00	-
ASIAN TERMINALS	1,066	14,796	13.88	-
ATLAS MINING	1,550,225	3,968,576	2.56	-
ATN HLDG A	3,140	4,459	1.42	-
ATN HLDG B	96,700	137,314	1.42	-
ATOK	222	3,437	15.48	-
AYALA CORP	58	52,200	900.00	-
AYALA LAND	1,479	60,047	40.60	-
BANK PH ISLANDS	16,408	1,542,352	94.00	-
BASIC ENERGY	1,774,125	425,790	0.24	-
BC PREF A	9	108	12.02	-
BDO LEASING	496,845	1,088,091	2.19	-
BDO UNIBANK	595	77,826	130.80	-
BELLE CORP	866,409	2,001,405	2.31	-
BENGUET A	3,010	4,515	1.50	-
BENGUET B	2,658	3,987	1.50	-
BERJAYA	141,696,891	637,636,010	4.50	-
BLOOMBERRY	11,103	104,479	9.41	-
BOGO MEDELLIN	30	2,762	92.05	-
BRIGHT KINDLE	520,851	781,277	1.50	-
CEB LANDMASTERS	200	828	4.14	-
CEBU AIR	1,151	84,253	73.20	-
CEBU HLDG	134,220	854,981	6.37	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
CEMEX HLDG	300	P 570	P 1.90	P -
CENTRO ESCOLAR	67	511	7.62	-
CENTURY FOOD	413	6,278	15.20	-
CENTURY PEAK	9,682	20,139	2.08	-
CENTURY PROP	46,037	19,796	0.43	-
CHINABANK	117,706	3,189,833	27.10	-
CIRTEK HLDG	824	25,503	30.95	-
CITY AND LAND	1,861	1,582	0.85	-
CITYLAND DEVT	5,505	4,789	0.87	-
CITYSTATE BANK	140	648	4.63	-
CNTRL AZUCARERA	40	642	16.06	-
COAL ASIA HLDG	4,280	1,284	0.30	-
COL FINANCIAL	70,045	1,137,531	16.24	-
CONCEPCION	80	2,960	37.00	-
CONCRETE A	95	5,615	59.10	-
COSCO CAPITAL	1,275,921	8,561,430	6.71	-
CROWN ASIA	883,000	1,589,400	1.80	-
CROWN EQUITIES	2,042,107	479,895	0.24	-
CYBER BAY	47,795	18,162	0.38	-
DAVINCI CAPITAL	1,991	12,942	6.50	-
DEL MONTE	479	3,056	6.38	-
DFNN INC	50,306	386,853	7.69	-
DIZON MINES	25,992	188,962	7.27	-
DM WENCESLAO	500	3,900	7.80	-
DMCI HLDG	113	1,444	12.78	-
DNL INDUS	1,818	19,962	10.98	-
DOUBLEDRAGON	20	357	17.84	-
EAST WEST BANK	94,645	1,126,276	11.90	-
EASYCALL	1,009	15,054	14.92	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
EEI CORP	442,790	P 3,520,181	P 7.95	P -
EMPERADOR	34,131	242,671	7.11	-
EMPIRE EAST	3,068	1,488	0.49	-
EUROMED	258	439	1.70	-
EVER GOTESCO	1,320,000	143,880	0.11	-
FAR EASTERN U	47	41,830	890.00	-
FERRONICKEL	438,731	728,293	1.66	-
FERRONOUX HLDG	8,539	38,169	4.47	-
FILINVEST DEV	902,118	10,644,992	11.80	-
FILINVEST LAND	2,583,201	3,642,313	1.41	-
FILIPINO FUND	775	5,704	7.36	-
FIRST GEN	29,442	588,251	19.98	-
FIRST METRO ETF	4	446	111.50	-
FIRST PHIL HLDG	144	9,324	64.75	-
FJ PRINCE A	847	4,489	5.30	-
FORUM PACIFIC	15,505	3,396	0.22	-
GEOGRACE	19,270,189	3,969,659	0.21	-
GINEBRA	1,481	39,617	26.75	-
GLOBAL ESTATE	26,369	29,797	1.13	-
GLOBE TELECOM	55	104,500	1,900.00	-
GMA HLDG PDR	336,394	1,803,072	5.36	-
GMA NETWORK	284,626	1,548,365	5.44	-
GRAND PLAZA	93	954	10.26	-
GREENERGY	14,335	28,527	1.99	-
GT CAPITAL	6	5,850	975.00	-
HARBOR STAR	14,300	42,185	2.95	-
HOLCIM	48,030	278,574	5.80	-
HOUSE OF INV	200,017	1,166,099	5.83	-
IMPERIAL	64,558	120,723	1.87	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
INTEGRATED MICR	3,619	P 38,361	P 10.60	P -
INTL CONTAINER	219	21,900	100.00	-
IONICS	2,499,006	4,523,201	1.81	-
IPEOPLE	25,262	282,934	11.20	-
IPM HLDG	1,057,866	8,674,501	8.20	-
IREMIT	381,201	583,238	1.53	-
ISLAND INFO	3,000	387	0.13	-
ISM COMM	29,280	176,561	6.03	-
ITALPINAS	327	1,586	4.85	-
JACKSTONES	600	2,034	3.39	-
JG SUMMIT	1,410	78,537	55.70	-
KEPPEL HLDG A	53,635	254,230	4.74	-
KEPPEL HLDG B	69	339	4.91	-
KEPPEL PROP	4,447	16,543	3.72	-
LBC EXPRESS	106,765	1,505,387	14.10	-
LEISURE AND RES	268	874	3.26	-
LEPANTO A	543,412	60,862	0.11	-
LEPANTO B	157,007	18,056	0.12	-
LIBERTY FLOUR	715	30,102	42.10	-
LMG CHEMICALS	29,245	125,754	4.30	-
LODESTAR	401,086	224,608	0.56	-
LOPEZ HLDG	876,859	3,507,436	4.00	-
LORENZO SHIPPNG	24,458	19,566	0.80	-
LR WARRANT	15,500	30,225	1.95	-
LT GROUP	300	4,980	16.60	-
MABUHAY HLDG	7,500	4,425	0.59	-
MABUHAY VINYL	224,390	740,487	3.30	-
MACAY HLDG	522	5,053	9.68	-
MACROASIA	3,163	53,771	17.00	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
MAKATI FINANCE	141	P 385	P 2.73	P -
MANILA BULLETIN	54,287	20,086	0.37	-
Manila Electric Company (MER)	880	334,400	380.00	-
MANILA JOCKEY	1,168	6,062	5.19	-
MANILA MINING A	19,523,200	136,662	0.01	-
MANILA MINING B	119,135,581	762,468	0.01	-
MANILA WATER	10,619	299,987	28.25	-
MANULIFE	266	199,500	750.00	-
MARCVENTURES	611,450	721,511	1.18	-
MAXS GROUP	10,440	107,114	10.26	-
MEDCO HLDG	990	460	0.47	-
MEGAWIDE	74,907	1,385,780	18.50	-
MEGAWORLD	101	480	4.75	-
MERALCO	53	20,140	380.00	-
METRO PAC INV	3,659	16,978	4.64	-
METRO RETAIL	1,042	2,595	2.49	-
METROALLIANCE A	546	1,141	2.09	-
METROALLIANCE B	1,860	3,534	1.90	-
METROBANK	459	37,156	80.95	-
MG HLDG	663,675	116,807	0.18	-
MJC INVESTMENTS	2,110	5,402	2.56	-
MRC ALLIED	192,860	86,787	0.45	-
NICKEL ASIA	39,378	86,632	2.20	-
NIHAO	247,753	267,573	1.08	-
NOW CORP	110,774	381,063	3.44	-
NTL REINSURANCE	3,374,732	3,071,006	0.91	-
OMICO CORP	1,003,348	602,009	0.60	-
ORNTL PENINSULA	152,156	143,027	0.94	-
ORNTL PETROL A	88,896,762	1,155,658	0.01	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
ORNTL PETROL B	49,233,156	P 590,798	P 0.01	P -
PACIFIC ONLINE	924	9,231	9.99	-
PACIFICA	45,299,689	1,676,088	0.04	-
PAL HLDG	48,967	407,895	8.33	-
PANASONIC	871	5,095	5.85	-
PAXYS	250,328	813,566	3.25	-
PB BANK	1,934	23,169	11.98	-
PBCOM	257	4,719	18.36	-
PEPSI COLA	601,335	805,789	1.34	-
PETROENERGY	1,745	6,108	3.50	-
PETRON	114,442	882,348	7.71	-
PH RESORTS GRP	398	2,169	5.45	-
PHIL ESTATES	6,927	3,256	0.47	-
PHIL INFRADEV	923,229	2,077,265	2.25	-
PHIL NATL BANK	6,638	283,775	42.75	-
PHIL RACING	1,499	14,211	9.48	-
PHIL REALTY	115,487	49,082	0.43	-
PHIL SEVEN CORP	62	7,688	124.00	-
PHIL STOCK EXCH	27	4,860	180.00	-
PHILODRILL	29,166,143	379,160	0.01	-
PHILTRUST	2	290	145.20	-
PHILWEB	59,481	191,529	3.22	-
PHINMA	91,682	833,389	9.09	-
PHINMA ENERGY	507,348	583,450	1.15	-
PHINMA PETRO	2,445	8,240	3.37	-
PHX PETROLEUM	13,887	149,146	10.74	-
PILIPINAS SHELL	248	11,842	47.75	-
PLDT	17	19,125	1,125.00	-
PREMIUM LEISURE	182,705	146,164	0.80	-

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the statement of the financial position	Valued based on the market quotation at reporting date (per share)	Income received and accrued
PRIME MEDIA	100,919	P 124,130	P 1.23	P -
PRIME ORION	10,340,064	24,505,952	2.37	-
PRIMEX CORP	397,600	1,407,504	3.54	-
PRMIERE HORIZON	482,126	156,691	0.33	-
PRYCE CORP	805	4,669	5.80	-
PSBANK	11,004	685,549	62.30	-
PTFC REDEV CORP	26	1,040	40.00	-
PUREGOLD	244	10,492	43.00	-
PX MINING	64,515	199,351	3.09	-
PXP ENERGY	406	6,171	15.20	-
RCBC	2,219	63,242	28.50	-
REPUBLIC GLASS	4,273	11,195	2.62	-
RFM CORP	175,189	856,674	4.89	-
ROBINSONS LAND	39,405	794,011	20.15	-
ROBINSONS RTL	1,134	90,720	80.00	-
ROCKWELL	1,883,226	3,785,284	2.01	-
ROXAS AND CO	3,660	7,247	1.98	-
ROXAS HLDG	168,135	448,920	2.67	-
SAN MIGUEL CORP	321	47,187	147.00	-
SBS PHIL CORP	70,540	529,050	7.50	-
SEAFRONT RES	62,847	163,402	2.60	-
SECURITY BANK	19,114	2,962,670	155.00	-
SEMIRARA MINING	142,823	3,292,079	23.05	69,900
SFI PREF	11,849	25,475	2.15	-
SHAKEYS PIZZA	96,960	1,153,826	11.90	-
SHANG PROP	180,870	564,314	3.12	-
SM INVESTMENTS	1,163	1,067,053	917.50	-
SM PRIME HLDG	86	3,079	35.80	-
SMC FOODANDBEV	1,105	90,610	82.00	-

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the statement of the financial position	Valued based on the market quotation at reporting date (per share)	Income received and accrued
SMC PREF 2B	5	P 375	P 75.00	P -
SMC PREF 2C	12	912	76.00	-
SOC RESOURCES	201,527	149,130	0.74	-
SOLID GROUP	400,275	528,363	1.32	-
SPC POWER	180	979	5.44	-
SSI GROUP	9,228	21,963	2.38	-
STA LUCIA LAND	5,698	7,123	1.25	-
STARMALLS	1,122	6,059	5.40	-
STI HLDG	80,920	63,927	0.79	-
SUN LIFE	4,742	8,535,600	1,800.00	-
SUNTRUST HOME	2,444,397	1,808,854	0.74	-
SUPERCITY	64,000	51,200	0.80	-
SWIFT FOODS	445,854	55,732	0.13	-
TKC METALS	133,650	113,603	0.85	-
TOP FRONTIER	184	45,963	249.80	-
TRANSPACIFIC BR	79,738	35,085	0.44	-
TRAVELLERS	48,802	259,139	5.31	-
UNIOIL HLDG	4,415,000	1,086,090	0.25	-
UNION BANK	37,621	2,405,863	63.95	-
UNITED PARAGON	5,939,383	32,667	0.01	-
UNIV ROBINA	15,293	1,942,211	127.00	-
VANTAGE	2,546,680	2,877,748	1.13	-
VICTORIAS	4,113	9,583	2.33	-
VISTA LAND	11,576	62,626	5.41	-
VITARICH	64,696	128,745	1.99	-
VIVANT	1,559	25,038	16.06	-
VULCAN INDL	195,885	313,416	1.60	-
WATERFRONT	1,275,833	893,083	0.70	-
WELLEX INDUS	815,086	201,326	0.25	-
WILCON DEPOT	3,260	P 41,076	P 12.60	P -
XURPAS	109,800	188,856	1.72	-
ZEUS HLDG	3,181,294	652,165	0.21	-

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
		P 820,466,014		

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule A - Financial Assets
December 31, 2018
(Amount in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the statement of the financial position*	*Valued based on the market quotation at reporting date (per share)*	*Income received and accrued*
Financial Assets at Fair Value Through Other Comprehensive Income				
BERJAYA PHILIPPINES INC.	304,156,750	P 1,368,705,375	P 4.50	P -
METRO PACIFIC CORPORATION	5,143,110	5,348,836	2.08	-
CEBU COUNTRY CLUB	1	5,500,000	5,500,000.00	-
MIMOSA GOLF	1	400,000	400,000.00	-
VALLE VERDE	2	940,000	470,000.00	-
		P 1,380,894,211		

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2018
(Amount in Philippine Pesos)

Company	*Name*	*Kind of Loan*	*Balance at Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written Off*	*Current*	*Non-Current*	*Balance at End of Period*
ASC	Adrales, Pilar	Educational	P -	P 30,000	P 8,933	P -	P 21,067	P -	P 21,067
ASC	Bernal, Madelyn	Educational	31,968	70,000	69,537	-	32,431	-	32,431
ASC	Casimsiman, Joel	Educational	16,494	70,000	68,731	-	17,763	-	17,763
ASC	Cometa, Roel	Educational	13,311	45,000	46,892	-	11,419	-	11,419
ASC	Cruz, Elizabeth	Educational	13,289	31,000	31,222	-	13,067	-	13,067
ASC	Delos Santos, Mari Fritz	Educational	6,120	-	-	-	6,120	-	6,120
ASC	Delos Santos, Marie Anne	Educational	39,488	114,000	105,434	-	48,054	-	48,054
ASC	Escraman, Raquel	Educational	21,076	50,000	52,092	-	18,984	-	18,984
ASC	Franco, Raymond Neil	Educational	-	280,000	34,391	-	245,609	-	245,609
ASC	Marcelo, Cristina	Educational	11,907	58,000	60,078	-	9,828	-	9,828
ASC	Matugas, Claire	Educational	-	90,000	26,800	-	63,200	-	63,200
ASC	Norega, Ermen	Educational	17,086	50,000	46,010	-	21,076	-	21,076
ASC	Rabe, Jennylen	Educational	14,754	30,000	30,855	-	13,899	-	13,899
ASC	Sapon, Michelle	Educational	25,292	60,000	57,494	-	27,798	-	27,798
ASC	Velasco, Estella Mae	Educational	21,076	-	21,076	-	-	-	-
ASC	Villar Dennis	Educational	37,969	-	37,969	-	-	-	-
ASC	Agapay, Grace	Emergency	62,959	100,000	56,747	-	106,212	-	106,212
ASC	Banoc, Estrella	Emergency	18,929	10,000	18,929	-	10,000	-	10,000
ASC	Camacho, Rosaly	Emergency	12,725	-	12,725	-	-	-	-
ASC	Casimsiman, Joel	Emergency	-	50,000	10,090	-	39,910	-	39,910
ASC	Cometa, Roel	Emergency	8,204	25,000	13,249	-	19,955	-	19,955
ASC	Cruz, Elizabeth	Emergency	7,859	-	6,049	-	1,810	-	1,810
ASC	dela Cruz, Maricel	Emergency	31,928	-	19,930	-	11,999	-	11,999
ASC	Escraman, Raquel	Emergency	25,161	70,000	43,207	-	51,954	-	51,954
ASC	Lana, Geraldine	Emergency	-	63,000	11,432	-	51,568	-	51,568
ASC	Marcelo, Christina	Emergency	40,237	100,000	46,256	-	93,981	-	93,981
ASC	Norega, Ermen	Emergency	31,000	27,000	26,098	-	31,902	-	31,902
ASC	Oso, Eli	Emergency	16,371	-	9,948	-	6,423	-	6,423
ASC	Ramos, Nole	Emergency	5,902	39,000	20,163	-	24,739	-	24,739
ASC	Sapon, Michelle	Emergency	-	60,000	2,405	-	57,595	-	57,595
ASC	Velasco, Estella Mae	Emergency	22,923	52,000	29,681	-	45,241	-	45,241
ASC	Villar Dennis	Emergency	3,785	-	-	-	3,785	-	3,785
ASC	Franco, Raymond Neil	Housing	1,735,000	-	240,000	-	1,495,000	-	1,495,000
ASC	Lemen, Gregory	Housing	531,245	-	531,245	-	-	-	-
ASC	Casimsiman, Joel	Car	346,667	-	80,000	-	266,667	-	266,667
ASC	Pono, Araceli	Car	-	1,211,680	184,828	-	1,026,852	-	1,026,852
ASC	Villar Dennis	Car	29,352	-	29,352	-	-	-	-
FAF	Abacan, Erwin	Educational	(1,702)	30,000	15,635	-	12,663	-	12,663
FAF	Castillo, Madonna	Educational	19,227	80,000	99,227	-	-	-	-
FAF	Dela Cruz, Melanio	Educational	38,074	-	38,074	-	-	-	-
FAF	Patana, Archimedes	Educational	7,466	-	-	-	7,466	-	7,466
FAF	Santos, Marilou	Educational	32,358	230,000	213,679	-	48,678	-	48,678
FAF	Sarmiento, Christopher	Educational	25,222	40,000	40,080	-	25,142	-	25,142
FAF	Magno, Rosario	Emergency	45,909	-	45,909	-	-	-	-
FAF	Dela Cruz, Melanio	Housing	636,406	-	324,927	-	311,479	-	311,479
FAF	Santos, Marilou	Housing	-	1,500,000	40,928	-	1,459,072	-	1,459,072
FAF	Magno, Rosario	Car	368,986	-	147,594	-	221,391	-	221,391
FAF	Santos, Marilou	Car	112,500	-	106,250	-	6,250	-	6,250
ACIC	Olavario, Ma. Sheila Olavario	Car	1,030,311	-	313,456	-	716,855	-	716,855
ACIC	Suganob, Pia Francesca	Car	107,700	-	107,700	-	-	-	-
ACIC	Mendoza, Arlene	Car	287,375	-	287,375	-	-	-	-
ACIC	Ramos, Christine	Educational	29,527	80,000	75,785	-	33,742	-	33,742
ACIC	Villarez, Mercedes	Educational	-	55,000	38,731	-	16,269	-	16,269
ACIC	Avelin, Harry Jay-AR	Emergency	-	30,000	1,203	-	28,797	-	28,797
ACIC	Rosalita, Elnee	Emergency	45,123	-	45,123	-	-	-	-
			P 5,984,559	**P 4,830,680**	**P 4,031,524**	**P -**	**P 6,783,714**	**P -**	**P 6,783,714**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule C - Accounts Receivable from Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2018
(Amount in Philippine Pesos)

Name of Related Party	*Balance at Beginning of Year*	*Additions*	*Deductions*		*Ending Balance*		*Balance at End of Year*
			Amounts Collected	*Amounts Written Off*	*Current*	*Non-current*	
Abacus Securities Corporation	P 66,357,812	P 1,189,601,254	P 1,255,339,388	P -	P 619,678	P -	P 619,678
Abacus Capital & Investment Corporation	17,447,360	22,340,991	29,836,979	-	9,951,372	-	9,951,372
Vista Holdings Corporation	1,164,431	317,774,426	298,471,476	-	20,467,381	-	20,467,381
	P 84,969,603	**P 1,529,716,671**	**P 1,583,647,843**	**P -**	**P 31,038,431**	**P -**	**P 31,038,431**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule D - Intangible Assets - Other Assets
December 31, 2018
(Amount in Philippine Pesos)

Description	*Beginning Balance*	*Additions at Cost*	*Charged to Cost and Expense*	*Charged to Other Accounts*	*Other Charges Additions (Deductions)*	*Ending Balance*
Goodwill - net	P 35,324,355	P -	P -	P -	P -	P 35,324,355
Computer Software - net	5,494,606	-	2,429,027	-	-	3,065,579
Trading Right	1,408,000	-	-	-	-	1,408,000
	P 42,226,961	**P** -	**P 2,429,027**	**P** -	**P** -	**P 39,797,934**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule E - Long Term Debt
December 31, 2018
(Amount in Philippine Pesos)

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position*	*Amount Shown Under Caption "Long-term Debt" in Related Statement of Financial Position*
Notes Payable	P 4,034,817,647	P 4,034,817,647	P -
Bank Loans	60,000,000	60,000,000	-
Finance Lease Liability	13,465,831	9,774,194	3,691,637
	P 4,108,283,478	**P 4,104,591,841**	**P 3,691,637**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule H - Capital Stock
December 31, 2018
(Amount in Philippine Pesos)

Title of Issue	*Number of Shares authorized*	*Number of shares issued and outstanding as shown under the related statement of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of Shares held by:*		
				Related parties	*Directors, officers and employees*	*Others*
Common shares - P1 par value						
Authorized - P1,800,000,000	1,800,000,000					
1,193,200,000 shares issued and outstanding	1,193,200,000	1,193,200,000	-	76,286,000	149,660,000	967,254,000
Treasury shares		(171,413,600)	-	-	-	-
		1,021,786,400	**-**	**76,286,000**	**149,660,000**	**967,254,000**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
Unit 2904-A East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

Parent Company Reconciliation of Deficit
December 31, 2018

The Parent Company has a deficit as at December 31, 2018. Presented below is an analysis of the deficit for purposes of this reconciliation requirement.

Deficit at Beginning of Year	P 1,426,958,234
Net Loss During the Year	(75,078,801)
Deficit at End of Year	**P 1,351,879,433**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule of Financial Indicators
As of and for the year ended December 31, 2018 and 2017

	2018	2017
Profitability Ratios		
Net Income (Loss) / Total Assets	**-0.08 : 1.00**	0.00 : 1.00
Net Income (Loss) / Stockholder's Equity	**-0.63 : 1.00**	-0.01 : 1.00
Debt to equity Ratio		
Debt / Equity	**7.21 : 1.00**	3.21 : 1.00
Asset to Equity Ratio		
Asset / Equity	**8.21 : 1.00**	4.21 : 1.00
Interest Rate Coverage Ratio		
Earnings Before Interest and Taxes / Interest Expense	**-0.30 : 1.00**	1.09 : 1.00
Current/ Liquidity Ratios		
Current Assets / Current Liabilities	**1.14 : 1.00**	1.31 : 1.00
Quick Assets / Current Liabilities	**1.07 : 1.00**	1.24 : 1.00
Cash / Current Liabilities	**0.02 : 1.00**	0.02 : 1.00

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards**	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters**	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters**	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters**	✓		
	Amendments to PFRS 1: Government Loans**	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions**	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (*effective January 1, 2019)**			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (*effective January 1, 2019)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance**	✓		
	Amendments to PFRS 10: Investment Entities**	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation (*effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance**	✓		
	Amendments to PFRS 12: Investment Entities**	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception**	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (*effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization**	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities**	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements**	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (*effective January 1, 2019*)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 32: Classification of Rights Issues**	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments* (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease**	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

First Abacus Financial Holdings Corporation and Subsidiaries

Map Showing the Relationships Between the Parent Company and Its Subsidiaries
December 31, 2018