COVER SHEET

ASO94001420
S.E.C. Registration Number

FIRST ABACUS FINANCIAL
HOLDINGS CORPORATION
(Company's Full Name)

E-2902D EAST TOWER PSE CENTER
EXCHANGE ROAD PASIG CITY
(Business Address: No. Street City/Town/Province)

ATTY. BAYANI K. TAN
Contact Person

02-667-8900
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC Form - 17Q
Form Type

June 30, 2019
Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC Form 17-Q

QUARTERLY REPORT PURSUANT TO THE SECURITIES REGULATIONS CODE OF THE PHILIPPINES

1. For the quarter period ended : **June 30, 2019**

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

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

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

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

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

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

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

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

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

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

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

Yes (x) **No ( )**

12. Check whether the registrant:

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

Yes (x) **No ( )**

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

Yes (x) **No ( )**

PART I – Financial Statements

Item 1. Financial Statements

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

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

Financial Highlights
In thousand pesos except for financial ratios

	Period ended June 30		
	2019	**2018**	**% Change Inc. (Dec.)**
Profit and Loss Data			
Revenues	116,417	143,481	(19%)
Total Cost and Expenses	244,574	218,315	12%
Net income (loss)	(81,489)	(48,774)	(67%)
EBITDA	38,542	65,247	(41%)

	Unaudited June 30 2019	**Audited December 31 2018**	**% Change Inc. (Dec.)**
Balance Sheet Data			
Total Assets	5,115,442	5,166,591	(.1%)
Total Debt	4,567,993	4,537,512	0.7%
Total Stockholders' Equity	547,449	629,079	(13%)

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

	Unaudited June 30, 2019	**Audited December 31, 2018**
Liquidity:		
Current Ratio	1.04:1	1.14:1
Coverage/Solvency ratios:		
Assets to Equity	9.3:1	8.21:1
Debt to Equity Ratio	8.3:1	7.21:1
	June 30 2019	**June 30 2018**
Operating Efficiency:		
Revenue Growth – Increase (Decrease)	(19%)	1.2%
Profitability – Increase (Decrease)	(67%)	(111%)

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

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

The Performance of the Company

The Philippine economy decelerated to its lowest growth rate in 17 quarters during the second quarter of 2019 due to a confluence of external and internal factors. The country's gross domestic product grew 5.5 percent, down from 6.2 percent during the same period in 2018, and from 5.6 percent in the first quarter of 2019. The GDP was below the government's target of 6 to 7 percent, and failed to meet analysts' expectations. Although services posted brisk growth at 7.1%, industry and agriculture registered disappointing rates at 3.7 and 0.6 percent, respectively. Government described the second quarter as "challenging times" in light of the budget impasse, the weak El Nino, the water shortage, the election ban on construction activities, and global slowdown brought about by the trade war between the United States and China. The local stock market enjoyed streaks of gains during the quarter but pulled back sharply weighed down by the spat between the two economic giants and abundance of indicators pointing to a continuous deterioration of global economic conditions. As of this writing, the PSEi has slipped below bull territory.

The conditions in the operating environment were mirrored in the performance of the company for the quarter as it rode the ups and downs of the market. During the quarter under review, the company saw a decrease in total revenues at ₱46 million, representing a decrease of ₱6 million or 12% over the ₱52million revenues generated over the same period last year. Broker's commission for the quarter was noted at ₱27.8 million, representing an increase of ₱3 million from the ₱24.7 million generated last year. The company realized ₱22 million on sale investments in financial assets at fair value through profit and loss, a decrease of ₱2 million as compared to the ₱24 million registered for the same period last year. The company noted ₱6.8 million loss on valuation of our financial assets at fair value through profit and loss during the quarter. Consolidated revenues for the first half of the year amounted to ₱116.4 million, a decrease of ₱27 million as compared to the P143.4 million made year on year.

Total costs and expenses during the quarter was noted at ₱124 million, an increase of ₱15 million from the ₱109 million recorded for the same period last year. The increase in costs and operating expenses was brought about by the increase in debt servicing fees and additional taxes during the quarter. Consolidated cost and expenses during the first half of the year amounted to ₱245 million, an increase of ₱26 million from last year's ₱218 million. As in the past, a large bulk of operating expenses was allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the second quarter of the year, the company is reporting a consolidated net loss of ₱50.6 million as compared to the ₱36.4 million loss reported for the same period last year. During the first half of the year, the company is reporting a consolidated net loss of ₱81.5 million from last year's ₱48.8 million net loss.

During the period, there was a slight decrease noted in the total assets amounting to ₱52 million, from ₱5,167 million in December 2018 to ₱5,115 million in June 2019. The decrease was brought about by collection of trade receivables amounting to ₱120 million, partially offset by the increase in financial assets at fair value through profit and loss due to additional purchases, and additional recognition of other assets.

Conversely, there was an increase in total liabilities noted during the period amounting to ₱30 million bringing total liabilities to ₱4,568 million from ₱4,538 million in December 2018. The increase was brought about by the increase in trade customer payables amounting to ₱29 million and additional short term loans and borrowings amounting to ₱91 million less the payments of non-trade payables amounting to ₱89 million.

The decrease noted in stockholders' equity amounting to ₱81 million was due to the net result of the operation during the first half of the year.

The local economy is expected to meet a number of headwinds moving forward, and the external environment is anticipated to remain tough. However, the Company views these developments as temporary. The possibilities of an upside for the local equities market remains high as the possibility of a recession is low and growth prospects of the Philippines remain bullish. The popularity of the government remains high and confidence in the country's fundamentals are unshaken. 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.

PART II – OTHER INFORMATION

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

SIGNATURE

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

By:

PAULINO S. SOO
Chairman and Chief Executive Officer

JACK T. HUANG
President

VICENTE CO CHIEN, JR.
Treasurer

First Abacus Financial Holdings Corp. and Subsidiaries
Consolidated Balance Sheets

ASSETS		(Unaudited) June 30 2019		Audited December 31 2018
Cash	₱	61,467,602	₱	95,993,987
Receivables (Note 7)		2,450,198,201		2,570,476,324
Financial Assets at Fair Value Through Profit or Loss (Note 5)		872,248,580		820,466,014
Financial Assets at Fair Value Through Other Comprehensvie Income (Note 6)		1,380,924,211		1,380,924,211
Property and Equipment (Note 8)		45,835,951		48,702,261
Other Assets (Note 9)		304,767,181		250,028,458
	₱	**5,115,441,726**	₱	**5,166,591,255**

LIABILITIES AND STOCKHOLDERS EQUITY				
Interest-bearing loans and borrowings (Note 12)	₱	4,199,100,403	₱	4,108,283,478
Due to customers (Note 10)		243,894,132		214,826,790
Accounts Payable and Other Liabilities (Note 11)		124,998,692		214,402,189
		4,567,993,226		4,537,512,457
STOCKHOLDERS' EQUITY				
Capital Stock		1,193,200,000		1,193,200,000
Additional Paid In Capital		3,104,800		3,104,800
Treasury stock, at cost (Note 13)		(385,670,581)		(385,670,581)
Revaluation Reserves		764,312,341		764,453,894
Deficit		(1,027,498,060)		(946,009,315)
		547,448,500		629,078,798
	₱	**5,115,441,726**	₱	**5,166,591,255**

See Notes to Financial Statements

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
June 30, 2019

	2019			2018		
	For the Quarter April - June		Year To Date January - June	For the Quarter April - June		Year To Date January - June
REVENUES						
Commision	27,759,401	₱	60,603,853	24,747,032	₱	76,402,630
Gain on sale of financial assets	21,669,905		50,796,496	23,999,805		63,424,756
Gain in fair value of financial assets	(6,762,938)		973,217	-		-
Management /Underwriting fees	-		100,000	3,260,100		3,260,100
Interest	65,891		129,124	116,047		191,299
Others	3,754,155		3,814,042	104,576		202,071
	46,486,414		**116,416,732**	**52,227,560**		**143,480,856**
COST AND EXPENSES						
Finance Costs	70,616,092		139,860,151	57,894,720		117,756,419
Salaries and wages	15,724,302		27,033,553	14,884,706		26,593,245
Commissions	8,397,918		19,470,942	6,307,159		21,646,105
Taxes and Licenses	8,964,496		17,425,236	6,700,255		14,277,634
Depreciation and amortization	4,151,645		9,413,765	4,024,694		8,046,784
Stock and exchange and PCD fees	3,771,948		7,792,187	3,949,886		8,506,782
Other operating expenses	12,692,590		23,578,157	15,603,080		21,488,035
	124,318,993		244,573,993	109,364,500		218,315,003
INCOME (LOSS) BEFORE TAX	(77,832,579)		(128,157,262)	(57,136,939)		(74,834,147)
INCOME TAX (BENEFIT)	**(27,229,639)**		**(46,668,517)**	**(20,748,566)**		**(26,060,433)**
NET INCOME (LOSS)	**(50,602,940)**		**(81,488,745)**	**(36,388,373)**		**(48,773,714)**
OTHER COMPREHENSIVE INCOME (LOSS)	-		-	-		-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(50,602,940)**	₱	**(81,488,745)**	**(36,388,373)**	₱	**(48,773,714)**

First Abacus Financial Holdings Corp. and Subsidiaries
Consolidated Statements of Cash Flows
June 30, 2019

	2019			2018		
	For the Quarter April - June		Year To Date January - June	For the Quarter April - June		Year To Date January - June
CASH FLOWS FROM OPERATING ACTIVITIES						
NET INCOME (LOSS)	(50,602,939)	₱	(81,488,745)	(36,388,371)	₱	(48,773,714)
Adjustments for :						
Finance costs	70,616,092		139,860,151	57,894,720		117,756,419
Depreciation and amortization	4,151,645		9,413,765	4,024,694		8,046,784
Fair value loss (gain) in value of financial assets	6,762,938		(973,217)	3,036,775		-
Loss (gain) in fair value of financial assets	(21,669,905)		(50,796,496)	(23,999,805)		(63,424,756)
Provision for income tax benefit	(27,229,639)		(46,668,517)	(20,748,566)		(26,060,433)
Interest income	(65,891)		(129,124)	(146,746)		(191,299)
Operating income before working capital changes	(18,037,699)		(30,782,182)	(16,327,299)		(12,646,999)
Net decrease in financial assets at fair value through profit or loss	27,066,382		(12,854)	16,768,522		37,915,609
Net decrease in receivables	39,537,785		120,278,123	700,487		276,630,765
Net increase in accounts payable and accrued expenses	(44,818,403)		(87,264,856)	9,093,759		(159,034,605)
Cash provided by (used in) operating activities	3,748,065		2,218,231	10,235,469		142,864,770
Interest received	65,891		129,124	146,746		191,299
Interest paid	(71,326,804)		(112,931,451)	(56,593,639)		(96,591,769)
	(67,512,848)		(110,584,096)	(46,211,424)		46,464,300
CASH FLOWS FROM INVESTING ACTIVITIES						
Net (increase) decrease in financial assets	0		(141,553)	(547,013)		(2,661,594)
Net (increase) decrease in property and equipment	3,119,142		(9,613,033)	(1,271,862)		(4,322,808)
Net (increase) decrease in other assets	(2,337,300)		(5,004,628)	6,091,771		(13,656,165)
Net cash provided (used in) investing activities	781,842		(14,759,214)	4,272,896		(20,640,567)
CASH FLOWS FROM FINANCING ACTIVITIES						
Net loan availments (payments)	68,815,735		90,816,925	(31,090,887)		(88,986,859)
	68,815,735		90,816,925	(31,090,887)		(88,986,859)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,084,728**		**(34,526,385)**	**(73,029,415)**		**(63,163,126)**
CASH AND CASH EQUIVALENTS, BEGINNING	59,382,875		95,993,987	114,886,192		105,019,902
CASH AND CASH EQUIVALENTS AT THE END	**61,467,602**	₱	**61,467,602**	**41,856,777**	₱	**41,856,777**

First Abacus Financial Holdings Corp. and Subsidiaries
Statements of Changes in Equity
June 30, 2019

	For the Quarter April - June	As of June 30, 2019	For the Quarter April - June	As of June30, 2018
Capital Stock - P1 par value	-	₱ 1,193,200,000	-	₱ 1,193,200,000
Authorized - 1,800,000,000 shares				
Issued and Oustanding - 1,193,200,000				
Additional Paid In Capital	-	3,104,800		3,104,800
Treasury Shares	-	(385,670,581)		(385,670,581)
Changes in Value of Financial Assets	-	764,312,341	557,811,134	1,745,823,532
Retained Earnings				
Balance beginning	-	(946,009,315)		(554,344,138)
Net Income (loss)	(50,602,939)	(81,488,745)	(36,388,371)	(48,773,714)
Balance at the of quarter	(50,602,939)	(1,027,498,060)	(36,388,371)	(603,117,852)
TOTAL EQUITY	**(50,602,939)**	**₱ 547,448,499**	**521,422,763**	**₱ 1,953,339,898**

FIRST ABACUS FINANCIAL HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

1. CORPORATE INFORMATION

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

	Percentage of Ownership	
	June 30 2019	**December 31 2018**
Abacus Capital and Investment Corp.	**100**	100
Abacus Securities Corporation	**100**	100
Vista Holdings Corporation	**100**	100

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.01 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.02 Adoption of New PFRS

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 (IFRI) 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 anon-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.

(a) 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 deferredindefinitely). 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 shouldbe accounted for as a single transaction.

2.03 Basis of Consolidation

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

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

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

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

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

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

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

2.04 Business Combinations

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

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

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

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

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

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

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

2.05 Business Segments

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

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

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

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

2.06 Financial Assets

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

Presentation. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

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

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

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

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

(ii) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

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

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

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

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

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

(b) Impairment of Financial Assets

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

(i) Carried at Amortized Cost – Loans and Receivables

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

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

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

The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

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

(iii) Carried at Fair Value – AFS Financial Assets

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

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

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

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of profit or loss. Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.07 Offsetting Financial Instruments

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

2.08 Property and Equipment

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year the item is derecognized.

2.09 Investment Properties

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

Investment properties are initially recognized, subsequently measured, and derecognized in the estimated useful life of the assets of 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.10 Other Assets

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

2.11 Intangible Assets

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

(a) Goodwill

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

(b) Trading Right

Trading right represents the value of the exchange seat, which allows the Group to trade in the PSE. Trading right is assessed as having an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses.

(c) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years, as these intangible assets are considered finite. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

2.12 Deferred Oil Exploration Costs

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

2.13 Impairment of Non-financial Assets

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

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

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

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

2.14 Financial Liabilities

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

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense under the caption of Finance Costs in the consolidated statement of profit or loss. Interest-bearing loans and borrowings are obtained to support the short-term to long-term funding needs of the Group. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

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

2.15 Provisions and Contingencies

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

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

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

2.16 Related Party Transactions and Relationships

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

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

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

2.17 Equity

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

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

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

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

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

2.18 Revenue and Expense Recognition

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

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

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

(b) Gain on sale of investments – Revenue is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities).

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

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

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

2.19 Securities Transactions

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

2.20 Leases

The Group accounts for its leases as follows:

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

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

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

2.21 Foreign Currency Transactions and Translation

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

transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

2.22 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

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

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

2.23 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or

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

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

2.24 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

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

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

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

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

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

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

2.25 Earnings (Loss) Per Share

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.01 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

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

(b) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements either as a lessor or lessee.

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

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

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

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between Provisions and contingencies.

3.02 Key Sources of Estimation Uncertainty

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

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

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

(b) Impairment of Receivables

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

(c) Valuation of Financial Assets other than Receivables

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

In 2019 and 2018, most of the Group's financial assets measured at fair value are valued using price quoted in an active market.

The carrying values of the Group's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 5.

(d) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of March 31, 2019 and December 31, 2018 are disclosed in Note 9.

(e) Impairment of Non-financial Assets

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

(f) Valuation of Post-employment Defined Benefit Obligation

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

(g) Fair Value Measurement for Investment Properties

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

4. SEGMENT INFORMATION

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

The following tables present revenues and profit information regarding industry segments for the years ended June 30, 2019 and December 31, 2018 and certain assets and liabilities information regarding industry segments at June 30, 2019.

June 30, 2019

	Securities Brokerage	**Investment Banking**	**Leasing**	**Elimination**	**Group**
Revenues:					
External	**115,192,576**	**192,511**	**1,031,645**	**-**	**116,416,732**
Inter-segment	**-**	**854,821**	**4,024,944**	**(4,879,765)**	**-**
Total revenues	**115,192,576**	**1,047,332**	**5,056,589**	**(4,879,765)**	**116,416,732**
Expenses					
External	**(78,160,896)**	**(146,753,539)**	**(19,659,558)**	**-**	**(244,573,993)**
Inter-segment	**(4,879,765)**	**-**	**-**	**(4,879,765)**	**-**
Total expenses	**(83,040,661)**	**(146,753,539)**	**(19,659,558)**	**(4,879,765)**	**(244,573,993)**
Operating Income	**32,151,915**	**(145,706,207)**	**(14,602,969)**	**-**	**(128,157,262)**
Net income	**30,727,679**	**(101,994,345)**	**(10,222,078)**	**-**	**(81,488,745)**
Segment assets	**741,081,741**	**4,644,661,113**	**703,091,123**	**(973,392,251)**	**5,115,441,726**
Segment liabilities	**330,503,573**	**3,750,538,469**	**642,723,125**	**(155,771,941)**	**4,567,993,226**

December 31, 2018

	Securities Brokerage	**Investment Banking**	**Leasing and Others**	**Elimination**	**Group**
Revenues:					
External	248,528,470	36,937,635	169,252	-	**285,635,357**
Inter-segment	77,286	345,726,931	9,289,648	(355,093,865)	**-**
Total revenues	248,605,756	382,664,566	9,458,900	(355,093,865)	**285,635,357**
Expenses					
External	175,892,239	335,302,398	121,144,217	-	**632,338,853**
Inter-segment	50,173,528	1,295,463	3,344,873	(54,813,865)	**-**
Total expenses	226,065,767	336,597,861	124,489,090	(54,813,865)	**632,338,853**
Operating income	**22,539,989**	**46,066,705**	**(115,030,190)**	**(300,280,000)**	**(346,703,496)**
Net Profit (Loss)	**15,698,565**	**7,763,055**	**(116,784,546)**	**(300,280,000)**	**(393,602,926)**
Segment assets	751,203,363	4,716,842,741	671,592,131	(973,046,980)	**5,166,591,255**
Segment liabilities	371,352,873	3,720,725,752	601,002,054	(155,568,222)	**4,537,512,457**

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group's financial assets at FVTPL are composed of equity securities with a total fair value amounting to ₱872,248,580 and ₱820,466,014 as of June 30, 2019 and December 31, 2018.

Equity securities included investments in shares of stock of publicly listed entities which are held for trading purposes. These shares are carried at fair value as determined directly by reference to published price quoted in an active market. For investments in shares of stock of publicly-listed entities, which are suspended for trading as of the end of the reporting period, the last transacted price before the suspension was used in the determination of their fair value.

The gain on sale of financial assets amounted to ₱50,796,496 in June 30, 2019 and ₱90,775,179 in December 2018. These are presented as part of Gain on Sale of Investments in Financial Assets.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial Assets at Fair Value Through Other Comprehensive Income pertain to investment in the shares of stock of the following:

	June 30, 2019	December 31, 2018
BCor	₱1,368,705,376	₱1,368,705,376
Others	12,218,835	12,218,835
	1,380,924,211	₱1,380,924,211

The movements of financial assets at FVOCI are as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of year	₱1,380,924,211	₱1,829,878,313
Unrealized fair value (losses) – net	-	(341,313,037)
Disposals	-	(120,474,274)
Additions	-	12,833,209
Balance at end of year	₱1,380,924,211	₱1,380,924,211

The fair values of 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.

7. RECEIVABLES

This account consists of:

	June 30, 2019	December 31, 2018
Customers/brokers	**₱1,904,179,137**	₱2,012,964,578
Equities Margin and other loans	**621,010,178**	621,010,178
Accounts receivable	**173,182,393**	178,547,508
Notes receivable	**73,728,901**	74,437,238
Interest receivables	**65,141,629**	65,141,629
Management fee receivable	**21,250,000**	25,500,000
Others	**12,114,082**	20,486,550
	2,870,606,320	2,998,087,682
Allowance for impairment losses	**(420,408,119)**	(427,611,358)
	₱2,450,198,202	₱2,570,476,324

All receivables of the group have been reviewed for indications of impairment. Management believes that the allowance for impairment is adequate to cover any losses from its receivables.

8. PROPERTY AND EQUIPMENT

This account consists of Condominium Units, Computer Equipment, Leasehold Improvements, Transportation Equipment, and Furniture and Fixtures. As of June 30, 2019 and December 31, 2018, Property and Equipment amounted to ₱46 million and ₱49million, respectively (net accumulated depreciation).

The depreciation of the property and equipment is presented as part of Depreciation and amortization account in the consolidated statements of profit and loss. Depreciation for the period ended June 30, 2019 and June 30, 2018 amounted to ₱9.4 million and ₱8.0 million, respectively.

9. OTHER ASSETS

The breakdown of this account is as follows:

	June 30, 2019	December 31, 2018
Creditable withholding taxes	**₱124,964,560**	₱120,449,813
Deferred tax assets – net	**115,933,833**	69,265,316
Goodwill	**84,584,951**	84,584,951
CTGF	**18,079,039**	17,761,111
Deferred oil exploration costs	**15,418,003**	15,418,003
Prepayments	**7,356,168**	2,500,854
Trading right	**1,408,000**	1,408,000
Others	**1,701,226**	3,319,009
	369,445,780	248,507,320
Allowance for impairment of goodwill	**(49,260,596)**	(49,260,596)
Allowance for non-recoverability of deferred exploration cost	**(15,418,003)**	(15,418,003)
	₱304,767,181	₱250,028,458

10. DUE TO CUSTOMERS

Due to customers arise from the Group's securities brokerage activities. These are normally settled within three days after the respective trading dates and are all non-interest bearing. Management considers the carrying amounts recognized in the consolidated statements of financial position to be reasonable approximation of their fair values. Outstanding balances as of June 30, 2019 and December 31, 2018 amount to **₱243,894,132** and ₱214,826,790 respectively.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account represents the company's current liabilities and payables to trade creditors, clients, pension liabilities, and the accrual of expenses such as interest, taxes, commissions and bonuses.

	June 30, 2019	December 31, 2018
Accounts Payable and accrued expenses	**₱102,167,434**	₱134,369,290
Post-employment defined benefit obligation	**17,264,495**	27,264,495
Withholding and other taxes payable	**1,756,043**	24,492,712
Due to clearing house	**-**	20,394,522
Dividends payable	**-**	613,242
Others	**3,938,970**	7,881,170
	₱124,998,692	₱214,402,189

12. INTEREST BEARING LOANS AND BORROWINGS

Loans payable consists of short-term borrowings obtained from local banks and short-term notes payables from various funders. Short-term borrowings bear interest at rates ranging from 4.5% to 7.25% in 2019 and from 4.25% to 6.88% in 2018.

13. TREASURY SHARES

Treasury shares pertain to the Company's stock held by ACIC (Abacus Capital and Investment Corp.) and VHC (Vista Holdings Corp.) at cost.

14. FINANCIAL RISK DISCLOSURE

The Group is exposed to a variety of financial risks which result from both its operating, financing and investing activities. The risk management activities at the level of each company in the Group is coordinated with the Parent Company, in close cooperation with the Board of Directors(BDO), and focuses on actively securing the Group's short-to-medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

Interest Rate Risk

The Group has no significant exposure to changes in market interest rates as most of its short-term financial assets and liabilities are non-interest bearing and its bank loans have fixed annual interest rates.

Foreign Currency Risk

Foreign currency risk arises from potential losses from the changes in the exchanges rates of the Group's foreign currency denominated assets and liabilities.

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

The Group's United States (US) dollar-denominated financial instruments, pertains only to cash in bank, translated into Philippine pesos at the closing rates, amounting to ₱805,460 in June 30, 2019 and ₱716,292 in December 2019.

The exchange rate used are ₱51.358:US$1 as of June 30, 2019 and ₱52,724:US$1 as of December 31, 2018 .

Credit Risk

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

	2019	2018
Cash in bank	₱ 61,467,602	₱ 95,993,987
Receivables-net	2,450,198,201	2,570,476,324
	₱2,511,665,803	**₱2,666,470,311**
	=========	=========

The Group continuously monitors defaults of customer and other counterparties, identified either individual or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

As part of group policy, bank deposits and short-term placements are only maintained with reputable financial institutions. For the determination of credit risk, cash do not include the cash on hand amounting ₱105,000 as of June 30, 2019. The Group's cash in bank is covered by a maximum insurance of P250,000, representing insurance coverage in the depository bank of the Group, as provided for under RA No.9302, Charter of Philippine Deposit Insurance Corporation.

Certain receivables of the Group are partially secured by borrowers' collaterals and customer' stocks traded in the PSE that are held by the Group. Other Financial assets are not secured by collateral or other credit enhancements.

Management believes that the amount of the past due or individually impaired receivables, which is shown net of allowance, are still recoverable as the Group's management has regular communication with the debtors for the settlement of the receivables.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity Risk

The group manages its liquidity needs by carefully monitoring schedules debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

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

Other Market Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at fair value through profit and loss and available for sale financial assets). It manages its risk arising from the changes in market price by monitoring the changes in the market price of the investments.

15. CONTINGENCIES

As of June 30, 2019, there are no pending claims and legal actions by third parties against or involving the Company and its subsidiaries arising from the normal course of business which are not reflected in the accompanying financial statements. In the opinion of the Company's management, as of June 30, 2019, liabilities arising from these claims, if any, would not have a material effect on the Company and its subsidiaries. Any liability or loss arising therefrom would be taken up by the Company and its subsidiaries when the final resolution of the claims and actions are determined.

FIRST ABACUS FINANCIAL HOLDINGS CORP AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2019

1. Aging of Accounts Receivable

		Current			**Past Due**
Type of Receivable	**Total**	**3 days - 1 mo.**	**2 - 6 Months**	**7 Mos. - 1 Year**	**Over One Year**
Customers/Brokers/ Clearing house	1,904,179,137	1,894,644,996	-	-	9,534,141
Equity margin loans	621,010,178	-		306,694,970	314,315,208
Notes and interest receivables	312,052,923	-	-	215,494,154	96,558,769
Management fee receivable	21,250,000	-	21,250,000	-	-
Others	12,114,082	-	12,114,082		-
Total	2,870,606,320	1,894,644,996	33,364,082	522,189,123	420,408,119
Less Allowance for doubtful accounts	420,408,119	-	-	-	420,408,119
Accounts Receivable, June 30, 2019	**2,450,198,201**	**1,894,644,996**	**33,364,082**	**522,189,123**	**(0)**

2. Accounts Receivable Description

Type Receivable

Loans receivable

Short- term loans granted to Individuals and Corporations.

Customers/brokers

Related to stock broking transactions

Clearing House

Related to stock broking transactions

Others

Various receivables like Advances to employees, suppliers and the like.