COVER SHEET

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SEC 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 1 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. BAYANI K. TAN

Contact Person

02-6678900

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

SEC Form 17-Q

Form Type

0 6 3 0

Month Day

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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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, 2014**

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		
	2014	2013	% Change Inc. (Dec.)
Profit and Loss Data			
Revenues	137,818	195,627	(29.6%)
Total Cost and Expenses	176,319	174,675	0.9%
Net income (loss)	(15,630)	18,328	(185%)
EBITDA	93,514	116,481	(19.7%)

	Unaudited June 30, 2014	Audited Dec. 31, 2013	% Change Inc. (Dec.)
Balance Sheet Data			
Total Assets	5,560,058	5,593,059	(0.6%)
Total Debt	3,063,551	3,080,236	(0.5%)
Total Stockholders' Equity	2,496,507	2,512,823	(0.6%)

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, 2014	Audited Dec. 31, 2013
Liquidity:		
Current Ratio	1.15:1	1.16:1
Coverage/Solvency ratios:		
Assets to Equity	2.23:1	2.23:1
Debt to Equity Ratio	1.23:1	1.23:1

Operating Efficiency:	June 30 2014	June 30 2013
Revenue Growth – Increase (Decrease)	(29.6%)	(7.63%)
Profitability – Increase (Decrease)	(185%)	(55.74%)

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

Trading in the local equities market moved sideways in the second quarter of 2014 in anticipation of second quarter business results and jitters around an impending inflation-driven interest rate hike by the monetary board. Guarded optimism pervaded the business environment on account of the weak 5.7% economic growth posted during the first quarter, significantly lower than the projected 6.5-7.5% growth rate. The broad-based pickup in food prices largely created by low agricultural production as a result of the series of natural calamities created a spiraling effect, resulting in scarcity of key commodities. Certain economists suspect that the Philippine economy is showing signs of fatigue, although most remain confident of the country's potential and ability to bounce back with accelerated government spending and full recovery from the disastrous effects of recent natural calamities.

The performance of the company for the second quarter and first half of the year, showed the same trend; although the company has managed to arrest the downward trend. For the second quarter of 2014, the Company's revenues stood at Php72.6 million, a decrease of Php12 million or 14% over the same period last year. Our consolidated revenues for the first half of the year stood at Php138 million, or a decrease of 29.6% over the Php195.6 million realized for the same period last year. Brokers commission for the quarter was noted at Php40.3 million, down by Php9 million from the Php49.3 million made during the same period last year. For the first half of the year total brokers commission stood at Php72 million, down by 33% over the Php108.8 million realized for the same period last year. During the quarter, the company realized Php25.4 million on its sale investments in financial assets at fair value through profit and loss, a decrease of Php9.9 million as compared to the Php35.3 million achieved for the same period last year. As of the second quarter, total gains realized from investment of financial assets was noted at Php55.4 million significantly below last year's Php64 million.

Total costs and expenses for the quarter stood at Php91 million, lower than the Php107 million noted for the same period last year. But variable costs from last year's additional volumes of trades resulted in slightly higher costs and expenses for the first half of the year at Php176 million, higher than the Php175 million spent last year. As in the past, a large bulk of operating expenses was allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the second quarter of the year, the company is reporting a consolidated net loss amounting to Php5 million, an improvement of Php19.6 million as compared to the Php24.6 million loss for the same period last year. As of the first half of the year, the company contained its consolidated net loss amounted to Php15.6 million as compared to the Php18.8 million consolidated net income reported last year.

There was a slight decrease in total assets noted as of the second of the year amounting to Php33 million, from Php5,593 million in December 2013 to Php5,560 million in June 2014. The decrease was brought about by the additional recorded trade receivables during the period partially offset by the decrease in cash and financial assets.

During the period, there was a slight dropped of our total liabilities amounting to Php16million bringing total obligations to Php3,064 million from Php3,080 million. The increase was brought about by the additional payables to trade customers and additional borrowings during the period.

The decrease in stockholders' equity of Php5 million was due to the net result of the operation during the quarter and net effect of valuation of our available for sale financial assets.

The Company remains highly optimistic that its financial performance will continue to improve moving forward on account of favorable conditions in the general operating environment. The company has consistently maintained its strong presence in the market all these years and remains in a better position to take advantage of expected upturns in the market.

The Company, however, will continue to keep an effective balance between managing risks and opportunities and will not let its guard down. The Company shall continue to solidify its niches and expand market reach. At the same time, 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.

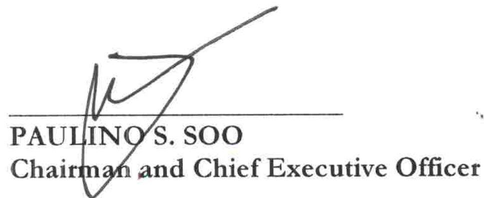
PART II – OTHER INFORMATION

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 2014	Audited December 31 2013
Cash	**₱87,278,871**	₱166,640,227
Financial Assets at Fair Value Through Profit or Loss(Note 4)	**548,445,655**	655,782,861
Available for Sale Financial Assets(Note 5)	**2,562,360,145**	2,557,207,265
Receivables(Note 6)	**2,010,105,629**	1,879,180,084
Property and Equipment (Note 7)	**68,986,773**	77,407,897
Investment Properties –Net	**4,639,439**	6,431,150
Deferred Tax Assets	**132,830,299**	109,960,186
Other Assets(Note 8)	**145,411,013**	140,449,329
	₱5,560,057,824	₱5,593,058,999

LIABILITIES AND STOCKHOLDERS EQUITY		
Interest-bearing loans and borrowings(Note 11)	**₱2,639,053,464**	₱2,605,671,600
Due to customers (Note 9)	**307,531,401**	220,141,921
Accounts Payable and Other Liabilities (Note 10)	**116,965,768**	254,422,393
	3,063,550,634	3,080,235,914
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 12)	**(385,670,581)**	(385,670,581)
Changes in fair value of available for sale financial assets	**2,346,971,842**	2,347,657,123
Deficit	**(661,098,869)**	(645,468,257)
	2,496,507,190	2,512,823,085
	₱5,560,057,824	₱5,593,058,999

See Notes to Financial Statements

FIRST ABACUS FINANCIAL HOLDINGS CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME(LOSS)

	2014		2013	
	For the Quarter April – June	**Year To Date Jan. – June**	**For the Quarter April – June**	**Year To Date Jan. – June**
REVENUES				
Commission	**₱40,339,625**	**₱72,074,346**	₱49,315,054	₱108,752,913
Gain on sale of financial assets	**25,398,558**	**55,361,103**	35,254,515	63,889,970
Management/Underwriting fees	**10,000,000**	**10,150,000**	-	21,880,265
Interest	**56,408**	**204,828**	170,368	314,719
Others	**8,977**	**27,616**	43,351	788,870
	72,582,911	**137,817,893**	84,783,288	195,626,737
COST AND EXPENSES				
Finance Costs	**45,197,640**	**89,364,743**	40,442,442	80,302,870
Commissions	**10,644,666**	**19,367,540**	14,606,339	29,864,990
Salaries and wages	**11,638,422**	**21,913,224**	11,794,148	22,111,310
Taxes and licenses	**3,010,322**	**8,135,361**	3,724,695	8,427,358
Depreciation and amortization	**6,078,218**	**11,644,204**	4,977,723	9,422,565
Stock exchange and PCD fees	**3,701,350**	**6,111,197**	3,711,884	6,935,555
Other costs and expenses	**10,381,679**	**19,782,350**	27,464,540	17,610,806
	90,652,297	**176,318,619**	106,721,771	174,675,454
INCOME (LOSS) BEFORE TAX	**(18,069,386)**	**(38,500,726)**	(21,938,483)	20,951,283
INCOME TAX BENEFIT	**13,103,908**	**22,870,113**	2,622,860	2,622,860
NET PROFIT	**(4,965,478)**	**(15,630,613)**	(24,561,343)	18,328,423
OTHER COMP. INCOME (LOSS)	**-**	**-**	-	-
TOTAL COMP. INCOME (LOSS)	**(₱4,965,478)**	**(₱15,630,613)**	(₱24,561,343))	₱18,823,423

First Abacus Financial Holdings Corp and Subsidiaries
Consolidated Statements of Cash Flows
June 30, 2014

	2014		2013	
	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)	**(₱4,965,480)**	**(₱15,630,613)**	**(₱24,561,343)**	**₱18,328,423**
Adjustments for :				
Finance costs	**45,197,640**	**89,364,743**	**40,442,442**	**80,302,870**
Depreciation and amortization	**6,078,218**	**11,644,204**	**4,977,723**	**9,422,565**
Fair value gain in value of financial assets	**3,220,657**	**-**	**17,297,679**	**-**
Loss (gain) in fair value of financial assets	**(25,398,558)**	**(55,361,103)**	**(35,254,515)**	**(63,889,970)**
Provision for income tax benefit	**(13,103,908)**	**(22,870,113)**	**-**	
Interest income	**(56,408)**	**(204,828)**	**(170,368)**	**(314,719)**
Operating income before working capital changes	**10,972,161**	**6,942,290**	**2,731,617**	**43,849,169**
Decrease in financial assets at fair value through profit and loss	**62,064,676**	**162,698,309**	**26,708,638**	**45,919,962**
Increase (Decrease) in receivables	**53,930,873**	**(130,925,545)**	**(397,200,161)**	**(366,682,677)**
Net increase (decrease) in accounts payable and accrued expenses	**(73,180,756)**	**(68,276,546)**	**356,401,407**	**233,470,510**
Cash provided by (used in) operating activities	**5,345,306**	**(29,561,492)**	**(11,358,499)**	**(43,443,036)**
Interest received	**56,408**	**204,828**	**170,368**	**314,719**
Interest paid	**(48,498,056)**	**(71,155,339)**	**(34,792,764)**	**(52,286,963)**
	5,345,306	**(100,512,003)**	**(45,980,895)**	**(95,415,280)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in financial assets	**(7,585,053)**	**(5,838,164)**	**3,670,964**	**16,690,372**
Net (increase) decrease in property and equipment	**(313,535)**	**(1,431,369)**	**(1,521,112)**	**(10,964,808)**
Net (increase) decrease in other assets	**2,106,000**	**(4,961,684)**	**(3,655,490)**	**(12,695,856)**
Net cash provided by (used in) investing activities	**(5,792,588)**	**(12,231,217)**	**(1,505,638)**	**(6,970,292)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net loan availments (payments)	**13,178,988**	**33,381,864**	**(9,860,497)**	**16,892,096**
Net cash provided by (used) financing activities	**13,178,988**	**33,381,864**	**(9,860,497)**	**16,892,096**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**12,731,706**	**(79,361,356)**	**(57,347,030)**	**(85,493,476)**
CASH AND CASH EQUIVALENTS, BEGINNING	**74,547,165**	**166,640,227**	**102,208,938**	**130,355,384**
CASH AND CASH EQUIVALENTS AT THE END	**₱87,278,871**	**₱87,278,871**	**₱44,861,908**	**₱44,861,908**

First Abacus Financial Holdings Corp and Subsidiaries
Statements of Changes in Equity

		Quarter Ended June 30, 2014		Six Months June 30, 2014		Quarter Ended June 30, 2013		Six Months June 30, 2013
Capital Stock - P1 par value	P		P	1,193,200,000	P		P	1,193,200,000
Authorized -1,800,000,000 shares								
Issued and Outstanding -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				2,346,971,842				2,398,223,917
Retained Earnings								
Balance beginning				(645,468,256)				(632,039,093)
Net income		(4,965,478)		(15,630,613)		(24,561,343)		18,328,423
Balance at end of quarter		(4,965,478)		(661,098,869)		(24,561,343)		(613,710,670)
TOTAL EQUITY	P	(4,965,478)	P	2,496,507,190	P	(24,561,343)	P	2,595,147,465

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, 2014	Dec. 31, 2013
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 from the pronouncements issued by the International Accounting Standards Board (IASB). 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 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 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, the currency of the primary economic environment in which the Group operates.

2.02 Basis of Consolidation

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its wholly owned subsidiaries, ACIC, ASC and VHC, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. 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 (including structured 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 noncontrolling 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 noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling 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.

2.03 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Group

In 2013, the Group adopted for the first time the following new PFRS, revisions, annual improvements and amendments to PFRS that are relevant tothe Group and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment) : Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised) : Employee Benefits
PAS 34 (Amendment) : Interim Financial Reporting – InterimFinancial Reporting Segment Information for Total Assets and Liabilities
PFRS 7 (Amendment) : Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 10 : Consolidated Financial Statements
PFRS 12 : Disclosure of Interests in Other Entities
PAS 27 (Revised) : Separate Financial Statements
PAS 28 (Revised) : Investments in Associate and Joint Venture PFRS 10 and 12 (Amendments) : Amendments to PFRS 10 and 12 – Transition Guidance to PFRS 10 and 12 PFRS 13 : Fair Value Measurement

Annual Improvements : Annual Improvements to PFRS(2009-2011 Cycle)

Discussed below are the relevant information about these amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group applied the amendment retrospectively, hence, the presentation of the consolidated statements of comprehensive income has been modified to reflect the groupings of items of other comprehensive income.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

• eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

• changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

• enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

(iii) PAS 34 (Amendment), *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (effective from January 1, 2013). This standard clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of IFRS 8, *Operating Segments*. It also clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and, (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The adoption of this standard did not have a material impact in the consolidated financial statements.

(iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the consolidated statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's consolidated statement of financial position. The adoption of this amendment did not result in any significant changes in the Group's disclosures on its consolidated financial statements as there were no financial instruments which were set-off in the consolidated statement of financial position.

(v) Consolidation, Associates and Disclosures

This package of associates and disclosures standards comprise of PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (revised 2011), *Investments in Associates and Joint Ventures*

• PFRS 10 changes the definition of control focusing on three elements which determine whether the investor has control over the investee such as the: (a) power over the investee; (b) exposure or rights to variable returns from involvement with the investee; and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining control when it is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.

• PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

• PAS 27 (Revised) deals with the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10, while PAS 28 (revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method following the issuance of PFRS 11.

Subsequent to the issuance of these standards, amendments to PFRS 10, and PFRS 12 were issued to clarify certain transitional guidance for the first-time application of the standards. The guidance clarifies that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives.

The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognized in the consolidated financial statements.

(vi) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

(vii) 2009-2011 Annual Improvements to PFRS. Annual improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS.

Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial
position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8 related notes to the third statement of financial position are not required to be presented.

Consequent to the Group's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' consolidated financial statements, the Group has presented a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Group's consolidated financial statements since it does not have servicing equipment used in operations.

(c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12.

Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Group's consolidated financial statements as it has been recognizing the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with PAS 12.

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013.

Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014).

The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about therecoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' consolidated financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective from January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within

a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract. For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and 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 amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9. To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) PFRS 10, 12 and PAS 27 (Amendments) – *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities", provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate this amendment to have a material impact on the Group's consolidated financial statements.

(vii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 anPAS 39 related

to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no statedinterest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

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(b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

Business Segments

The Group is organized into the following business segments:

1) Securities brokerage -handles buying and selling of shares of stock, bonds and other securities.

2) Investment banking -provides services which include underwriting of financial instruments and financial advisory services.

3) Others -includes management advisory services and leasing of condominium units, none of which constitutes 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 is based on the Group's weighted average bank loan rates.

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.

Cash

Cash includes cash on hand and bank deposits which are subject to insignificant risk of changes in value. Cash is initially and subsequently measured at fair value.

Financial Assets

Financial assets include cash and financial instruments. The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale 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. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

All financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

The Group has designated its financial assets into the following categories:

- ***Financial Assets at Fair Value through Profit or Loss***. This category include financial
assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges.

  Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss.

  Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

- ***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.

  Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss.

  Loans and receivables are presented as Receivables in the consolidated balance sheets.

  Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

- ***Availablefor-Sale FinancialAssets***. These include 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.

  All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the consolidated statements of income when they are sold or when the investment is impaired

  In the case of impairment, any loss previously recognized in equity is transferred to the consolidated statements of income. Losses recognized in the consolidated statements of income on equity investments are not reversed through the consolidated statements of income. Losses recognized in prior period consolidated statements of income resulting from the impairment of debt instruments are reversed through the consolidated statements of income.

  For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

  Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, except if the probability of the economic benefits associated with the transaction is not certain to the Group and regardless of how the related carrying amount of financial assets is measured.

  Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation 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. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

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

Leasehold improvements are amortized over the estimated lives of the assets or the term of the lease, whichever is shorter.

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

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each consolidated balance sheet date.

An item of property and equipment 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 statements of income in the year the item is derecognized.

Investment Properties

Investment properties pertain to condominium units held for lease and for appreciation in value. The Group adopted the cost model in measuring its investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any impairment in value. The cost of investment properties comprises its purchase price and directly attributable costs. Investment properties are depreciated on a straight-line basis over the estimated useful life of 15 to 25 years.

Intangible Assets

Intangible assets include goodwill, trading right and acquired computer software licenses. 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.

Goodwill

Goodwill represents the excess of the cost of acquisition of the investment over the fair value of identifiable net assets of a subsidiary at date of acquisition. Goodwill is carried at amortized cost up to the date of transition to PFRS less any impairment in value. Goodwill, shown under the Other Assets account in the consolidated balance sheets, is no longer amortized but subject to annual test for impairment whether there is an objective evidence of impairment or not.

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 loss

Computer Software

Acquired computer software licenses are capitalized on the basis of thee 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.

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 balance sheets). 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.

Impairment of Non-financial Assets

The Group's property and equipment, investment property, deferred oil exploration costs and intangible 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 and goodwill 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, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets, except Goodwill, 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.

Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings and accounts payable and other liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the consolidated statements of income.

Interest-bearing loans and borrowings are obtained to support the 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.

Accounts payable and other liabilities are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the consolidated balance sheets only when the obligations are extinguished either through discharge, cancellation or expiration.

Provisions

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, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the consolidated balance sheet date, including the risks and uncertainties associated with the present obligation.

Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. 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. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each consolidated balance sheet date 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.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services (commissions, financial advisory fees and underwriting fees) -when contractually agreed tasks have been substantially rendered.

Interest -as the interest accrues (taking into account the effective yield on the assets).

Dividends -when the stockholders' right to receive the payment is established.

Rental- on a straight line basis over the lease term.

Costs and expenses are recognized in the consolidated statements of income upon utilization of the service or at the date of their origin. Finance costs are reported on an accrual basis.

Securities Transactions

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

Leases

Company as lessor -Leases, which do not transfer to the Company 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 statement of income on a straight-line basis over the lease term. Indirect costs incurred by the lessor in negotiating and arranging for an operating lease is added to the carrying amount of the leased asset and recognized as expense over the lease term.

Company as lessee -Operating lease payments are recognized as expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Functional Currency and Foreign Currency Transactions

- *Functional and Presentation Currency*

  Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Philippine pesos, which is the Group's functional currency.

- *Transactions and Balances*

  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 exchange 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 statements of income.

Employee Benefits

- *Retirement Benefit Obligation.*

  The Group has no formal retirement or pension plan, thus, the Group determined its pension liability in accordance with the provisions of Republic Act (RA) 7641 –Retirement Pay Law which relates to a defined benefit pension plan. The liability recognized in the consolidated balance sheets for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the consolidated balance sheets date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected-unit-credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

  Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the consolidated statements of income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

  The Group also participates in the defined contribution pension plan managed by the Social Security System. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. 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.

- *Compensated Absences*

  Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the consolidated balance sheet date. They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Income Taxes

Current income tax assets or 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 consolidated balance sheet date. They are calculated according to 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 liabilities are recognized as a component of tax expense in the consolidated statements of income.

Deferred tax is provided, using d1e balance sheet liability med1od on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet 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 carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the consolidated balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated statements of income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Earnings per Share

Earnings per share is determined by dividing net income by the weighted average number of common shares subscribed and outstanding during the year, after retroactive adjustment for any stock dividend, stock split or reverse stock split declared during the year

Equity

Capital stock is determined using the nominal value of shares that have been issued. Additional paid-in capital includes any premiums 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 stocks are stated at the cost of re-acquiring such shares.

Change in fair value of available-for-sale financial assets pertains to the excess or deficiency of mark-to-market valuation of available-for-sale financial assets over the cost
of the asset.

Deficit includes all current and prior period results as disclosed in the consolidated statements of income.

3. 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, 2014 and December 31, 2013 and certain assets and liabilities information regarding industry segments at June 30, 2014.

June 30, 2014

	Securities Brokerage	Investment Banking	Leasing	Elimination	Group
Revenues:					
External	**111,539,274**	**13,258,980**	**13,019,638**	**-**	**137,817,893**
Inter-segment	**-**	**712,351**	**4,079,704**	**(4,792,055)**	**-**
Total revenues	**111,539,274**	**13,971,331**	**17,099,342**	**(4,792,055)**	**137,817,893**
Expenses					
External	**(62,364,295)**	**(101,108,034)**	**(12,846,290)**	**-**	**(176,318,619)**
Inter-segment	**(4,792,055)**	**-**	**-**	**(4,792,055)**	**-**
Total expenses	**(67,156,350)**	**(101,108,034)**	**(12,846,290)**	**(4,792,055)**	**(176,318,619)**
Operating Income	**44,382,925**	**(87,136,702)**	**4,253,051**	**-**	**(38,500,726)**
Net income	**46,853,205**	**(66,736,869)**	**4,253,051**	**-**	**(15,630,613)**
Segment assets	**1,758,912,957**	**5,711,560,812**	**445,812,162**	**(2,356,228,106)**	**5,560,057,824**
Segment liabilities	**1,389,926,287**	**2,832,074,874**	**290,491,388**	**(1,447,664,623)**	**3,063,550,635**

December 31, 2013

	Securities Brokerage	Investment Banking	Leasing and Others	Elimination	Group
Revenues:					
External	232,907,892	154,166,907	13,872,443		400,947,242
Inter-segment	1,286,322	44,755,148	11,634,079	(57,675,549)	-
Total revenues	234,194,214	198,922,055	25,506,522	(57,675,549)	400,947,242
Expenses					
External	165,623,566	241,561,380	21,206,326		412,212,412
Inter-segment	53,385,724	4,289,825	-	(73,854,410)	-
Total expenses	219,009290	245,851,205	21,206,326	(73,854,410)	412,212,412
Operating income	**15,184,924**	**(46,929,150)**	**4,300,195**	**16,178,861**	**(11,265,170)**
Net Profit (Loss)	**10,295,956**	**(45,878,510)**	**4,165,245**	**16,178,861**	**(15,238,448)**
Segment assets	965,458,377	5,649,391,788	404,853,619	(1,426,644,785)	5,593,058,999
Segment liabilities	643,324,912	2,703,168,982	253,785,895	(520,043,875)	3,080,235,914

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The account consists of the financial assets held for trading equity securities.

3. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets pertain to investment in the shares of stock of the following:

	June 30, 2014	December 31, 2013
At fair value :		
Prime Gaming Phils. Inc.	₱2,550,214,665	₱2,549,107,265
Others- Club shares	7,180,000	7,180,000
	2,557,394,665	**2,557,207,265**
At cost:		
Universal Rightfields Prop.	144,910,130	144,910,130
Philippine Central Depository	22,800	22,800
	144,932,930	**144,932,930**
	2,702,327,595	2,702,140,195
Allowance for impairment losses	**(144,932,930)**	(144,932,930)
	₱2,562,360,145	**₱2,557,207,265**

The fair values of available for sale financial assets carried at fair value have been determined directly by reference to published prices in an active market.

4. RECEIVABLES

This account consists of:

	June 30, 2014	December 31, 2013
Customers/brokers	**₱1,175,366,623**	₱1,057,315,728
Equities Margin and other loans	**580,008,482**	633,765,644
Accounts receivable	**232,889,041**	211,932,440
Notes receivable	**126,739,251**	107,739,251
Interest receivables	**65,141,629**	57,854,154
Management fee receivable	**29,400,000**	29,100,000
Others	**25,312,698**	4,909,141
	2,234,857,725	2,102,616,358
Allowance for impairment losses	**(224,752,096)**	(223,436,274)
	₱2,010,105,629	₱1,879,180,084

5. PROPERTY AND EQUIPMENT

This account consists of Condominium Units, Computer Equipment, Leasehold Improvements, Transportation Equipment, and Furniture and Fixtures. As of June 30, 2014 and December 31, 2013, Property and Equipment amounted to ₱69million and ₱77.4 million, respectively (net accumulated depreciation).

6. OTHER ASSETS

The breakdown of this account follows:

	June 30, 2014	December 31, 2013
Creditable withholding taxes	**₱90,964,422**	₱83,911,590
Goodwill	**84,584,951**	84,584,951
Deferred oil exploration costs	**15,418,003**	15,418,003
Trading right	**1,408,000**	1,408,000
Input VAT	**428,041**	2,961,061
Others	**17,286,195**	16,844,322
	210,089,612	205,127,927
Allowance for non-recoverability of deferred exploration cost	**(15,418,003)**	(15,418,003)
Allowance for impairment of goodwill	**(49,260,596)**	(49,260,596)
	₱145,411,013	₱140,449,329

7. 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, 2014 and December 31, 2013 amount to Php307,531,401 and Php220,141,921, respectively.

8. 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, 2014	December 31, 2013
Accrued expenses and payables	₱65,215,503	₱130,741,789
Retirement benefit obligation	**47,903,831**	45,860,331
Others	**3,974,688**	77,820,273
	₱116,965,771	₱254,422,393

9. 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 8.25% in 2014 and from 5.0% to 9.30% in 2013.

10. 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.

11. 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 form 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 **₱154,793.41** in June 2014 and **₱105,453** in December 2013.

The exchange rate used are P43.625:USD1 and P44.414 as of June 30, 2014 and 2013, respectively.

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:

	2014	2013
Cash in bank	₱ 87,183,871	₱ 166,553,606
Receivables-net	2,010,105,629	1,879,180,084
	₱2,097,289,500	**₱2,045,733,690**
	=========	=========

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 Php95,000 as of June 30, 2014. 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.

12. CONTINGENCIES

As of June 30, 2014, 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, 2014, 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, 2014

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	1,175,366,623	1,157,479,117			17,887,506
Equity margin loans	580,008,485	-	70,383,972	393,396,842	116,227,671
Notes and interest receivables	424,769,919	-		334,133,000	90,636,919
Management fee receivable	29,400,000	-	29,400,000	-	-
Others	25,312,698	-	25,312,698	-	-
Total	2,234,857,725	1,157,479,117	125,096,670	727,529,842	224,752,096
Less Allowance for doubtful accounts	224,752,096	-	-	-	224,752,096
Accounts Receivable, June 30, 2014	**2,010,105,629**	**1,157,479,117**	**125,096,670**	**727,529,842**	**(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.