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	02-6678900
Contact Person	Company Telephone Number

1	2		3	1
Month			Day	

Fiscal Year

SEC Form 17-Q

Form Type

0 6 3 0

Month Day

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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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, 2016**

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		
	2016	**2015**	**% Change Inc. (Dec.)**
Profit and Loss Data			
Revenues	210,943	134,835	56%
Total Cost and Expenses	184,064	167,058	10%
Net income (loss)	18,248	(14,186)	229%
EBITDA	134,568	81,140	65%

	Unaudited June 30, 2016	**Audited Dec. 31, 2015**	**% Change Inc. (Dec.)**
Balance Sheet Data			
Total Assets	5,885,194	5,310,995	10.8%
Total Debt	3,539,761	3,189,328	11.0%
Total Stockholders' Equity	2,345,433	2,121,666	10.5%

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, 2016	**Audited Dec. 31, 2015**
Liquidity:		
Current Ratio	1.57:1	1.56:1
Coverage/Solvency ratios:		
Assets to Equity	2.51:1	2.50:1
Debt to Equity Ratio	1.51:1	1.50:1
	June 30 2016	**June 30 2015**
Operating Efficiency:		
Revenue Growth – Increase (Decrease)	56%	(2%)
Profitability – Increase (Decrease)	229%	9%

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

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

The peaceful transition from the Aquino government to the Duterte administration as a result of a generally peaceful elections in May buoyed optimism in the Philippine economy and in the local capital markets. After weathering a bearish start during the first quarter, the local capital markets rallied from 6,000 levels to hitting almost 8,000 at the close of the second quarter. The rally was propped up by a prevailing low interest environment in most parts of the world as exemplified by the guarded stance of the US Federal Reserve on the matter. With most listed companies reporting better-than-expected first-half earnings, prospects of sustained, if not significantly improved, performance of the Philippine economy and the local capital markets remained.

For the second quarter of 2016, the Company's revenues stood at ₱98.4 million, representing an increase of ₱33.5 million or 51% over the same period last year. Our consolidated revenues for the period reached ₱210.9 million, or an increase of 56% over the ₱134.8 million realized during the same period last year. Broker's commission for the quarter was noted at ₱29.4 million, slightly down by ₱4.3 million from the ₱33.8 million year-on-year. For the first half of the year total brokers commission declined to ₱71.4 million over the ₱77.7 million realized for the same period last year. During the quarter, the company realized ₱15.3 million on its sale investments in financial assets at fair value through profit and loss, a decrease of ₱7.7 million as compared to the ₱23.1 million realized for the same period last year. As of the second quarter, total gains realized from investment of financial assets was noted at ₱70.6 million, a significant increase from last year's ₱23 million. During the quarter, an increase in valuation of our financial assets at fair value through profit and loss was noted at ₱53.4 million as compared to the ₱2.4 million recognized on the same period last year. As of the second quarter of the year, gain in fair value of financial assets posted at ₱68.6 million, a material increase as compared to the P2.4 million recognized on the same period last year.

Total costs and expenses during the quarter stood at ₱83.4 million, an increase of ₱2.6 million from the ₱80.8 million recorded for the same period last year. Consolidated costs and expenses for the first half of the year were higher at ₱184 million compared to the Php167 million spent last year. As in the past, a large bulk of operating expenses was allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the second quarter of the year, the company is reporting a consolidated net income of ₱10.5 million, an improvement as compared to the reported ₱6 million net loss recognized for the same period last year. For the first half of the year, the company is reporting a net income of ₱18.2 million, an improvement from last year's consolidated loss of ₱14.2 million.

During the period under review, there was an increase noted in the total assets amounting to ₱574.2 million, from Php5,311 million in December 2015 to ₱5,885 million in June 2016. The increase was brought about by the increase in trade receivables for collection amounting to ₱357.8 million and increase in valuation of our available for sale financial assets and financial assets at fair value through profit and loss totaling to ₱287.8 million, partially offset by the decrease in cash amounting to P64.5 million

An increase in total liabilities was also noted during the period amounting to ₱350.4 million bringing total liabilities to ₱3,540 million from ₱3,189 million. The increase was brought about by the additional trade payables amounting to ₱205.4 million and additional short borrowings amounting to ₱170 million.

The increase in stockholders' equity of ₱205.5 million was due to the net result of the operation during the quarter and net effect of valuation of our 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 expects the market to ride the surge of optimism that comes with the ascension to power of new national leaders. 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 2016		Audited December 31 2015
Cash	₱	55,011,473	₱	119,556,641
Financial Assets at Fair Value Throug Profit or Loss (Note 4)		809,297,121		715,166,513
Available for Sale Financial Assets (Note 5)		2,555,192,972		2,361,529,820
Receivables (Note 6)		2,146,490,011		1,788,709,612
Property and Equipment (Note 7)		45,814,488		51,738,382
Other Assets (Note 8)		273,387,772		274,293,946
	₱	**5,885,193,838**	**₱**	**5,310,994,914**

LIABILITIES AND STOCKHOLDERS EQUITY				
Interest-bearing loans and borrowings (Note 11)	₱	3,011,186,891	₱	2,841,164,824
Due to customers (Note 9)		406,728,101		201,317,786
Accounts Payable and Other Liabilities (Note 10)		121,845,698		146,846,137
		3,539,760,691		3,189,328,747
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		2,047,999,413		1,842,480,838
Deficit		(513,200,485)		(531,448,890)
		2,345,433,147		2,121,666,167
	₱	**5,885,193,838**	**₱**	**5,310,994,914**

See Notes to Financial Statements

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
June 30, 2016

	2016		2015	
	For the Quarter April - June	Year To Date January - June	For the Quarter April - June	Year To Date January - June
REVENUES				
Commision	₱ 29,433,304	₱ 71,390,938	₱ 33,752,273	₱ 77,667,194
Gain on sale of financial assets	15,326,866	70,613,366	23,050,813	23,050,813
Gain in fair value of financial assets	53,383,747	68,564,393	2,358,778	2,358,778
Interest	123,935	216,217	49,552	126,355
Management /Underwriting fees	150,000	150,000	5,625,516	31,552,516
Others	7,370	7,659	63,366	79,826
	98,425,222	**210,942,573**	**64,900,298**	**134,835,482**
COST AND EXPENSES				
Finance Costs	51,665,671	101,312,830	36,336,977	79,499,219
Salaries and wages	7,806,925	21,283,325	12,024,806	23,109,992
Commissions	8,379,889	19,464,719	8,640,040	19,917,921
Taxes and Licenses	3,645,756	8,748,654	4,167,546	8,865,068
Stock and exchange and PCD fees	3,715,395	6,681,305	3,998,229	7,890,700
Depreciation and amortization	2,949,939	6,257,895	3,062,819	6,691,960
Other operating expenses	5,237,860	20,315,826	12,539,462	21,083,103
	83,401,435	184,064,554	80,769,879	167,057,963
INCOME (LOSS) BEFORE TAX	15,023,787	26,878,019	(15,869,581)	(32,222,481)
INCOME TAX BENEFIT (TAX)	**(4,532,083)**	**(8,629,614)**	**9,918,585**	**18,036,263**
NET INCOME (LOSS)	**10,491,704**	**18,248,405**	**(5,950,996)**	**(14,186,218)**
OTHER COMPREHENSIVE INCOME (LOSS)	-	-		-
TOTAL COMPREHENSIVE INCOME (LOS	**₱ 10,491,704**	**₱ 18,248,405**	**₱ (5,950,996)**	**₱ (14,186,218)**

First Abacus Financial Holdings Corp. and Subsidiaries
Consolidated Statements of Cash Flows
June 30, 2016

	2016		2015	
	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)	₱ 10,491,704	₱ 18,248,405	₱ (5,950,996)	₱ (14,186,218)
Adjustments for :	-			
Finance costs	51,665,671	101,312,830	36,336,977	79,499,219
Depreciation and amortization	2,949,939	6,257,895	3,062,819	6,961,960
Fair value gain in value of financial assets	(53,383,747)	(68,564,393)	(3,498,196)	(2,358,778)
Loss (gain) in fair value of financial assets	(15,326,866)	(70,613,366)	(23,050,813)	(23,050,813)
Provision for income tax benefit	4,532,083	8,629,614	(18,036,263)	(18,036,263)
Interest income	40,938	(168,003)	(49,552)	(126,355)
Operating income before working capital changes	969,723	(4,897,017)	(11,186,024)	28,702,752
Decrease in financial assets at fair value through profit	(5,711,248)	45,047,151	31,863,625	60,564,834
Increase in receivables	(89,099,761)	(357,780,399)	22,082,809	57,210,636
Net increase in accounts payable and accrued expense	(51,060,807)	160,466,847	(125,609,436)	(97,665,127)
Cash provided by (used in) operating activities	(144,902,093)	(157,163,418)	(82,849,026)	48,813,095
Interest received	(40,938)	168,003	49,552	126,355
Interest paid	(51,061,666)	(81,369,798)	(21,749,594)	(59,732,367)
	(196,004,695)	(238,365,211)	(104,549,068)	(10,792,917)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in financial assets	11,855,422	11,855,422	1,466,456	1,466,456
Net (increase) decrease in property and equipment	(764,560)	(334,001)	(2,846,342)	(3,805,821)
Net (increase) decrease in other assets	(1,212,799)	(7,723,445)	5,831,210	(17,299,779)
Net cash provided (used in) investing activities	9,878,063	3,797,976	4,451,324	(19,639,144)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net loan availments (payments)	118,113,991	170,022,067	60,329,105	(10,990,276)
	118,113,991	170,022,067	60,329,105	(10,990,276)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(68,012,641)**	**(64,545,168)**	**(39,768,641)**	**(41,422,337)**
CASH AND CASH EQUIVALENTS, BEGINNING	123,024,114	119,556,641	112,746,937	114,400,633
CASH AND CASH EQUIVALENTS AT THE END	**₱ 55,011,473**	**₱ 55,011,473**	**72,978,296**	**₱ 72,978,296**

First Abacus Financial Holdings Corp. and Subsidiaries
Statements of Changes in Equity
June 30, 2016

	2016		2015	
	For the Quarter April - June	Year To Date January - June	For the Quarter April - June	Year To Date January - June
Capital Stock - P1 par value	-	₱ 1,193,200,000	-	₱ 1,193,200,000
Authorized - 1,800,000,000 shares				
Issued and Oustanding - 1,193,200,000				
Additional Paid In Capital	-	3,104,800		3,104,800
Treasury Shares	-	(385,670,581)		(385,670,581)
Changes in Value of Financial Assets	653,955,277	2,047,999,413		2,016,198,881
Retained Earnings				
Balance beginning	-	(531,448,890)		(534,541,515)
Net Income	10,491,704	18,248,405	(5,950,996)	(14,186,218)
Balance at the of quarter	10,491,704	(513,200,485)	(5,950,996)	(548,727,733)
TOTAL EQUITY	₱ **664,446,981**	₱ **2,345,433,147**	₱ **(5,950,996)**	₱ **2,278,105,367**

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, 2016	Dec. 31, 2015
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 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial

Statements – Exemption from Consolidation for Investment Entities

Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21 : Levies

Discussed below and in the succeeding page are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial*

Assets and Financial Liabilities. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of setoff that is not contingent on a future event, and must 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 that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the

Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less costs of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as, but not limited to, the fair value hierarchy, valuation technique used and key assumptions applied, should be provided in the consolidated financial statements. This amendment did not have a significant impact on the Group's consolidated financial statements as the recoverable amounts of the Group's non-financial assets are determined based on the asset's or cash-generating unit's value in use (see Note 13).

(iii)PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. 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. As the Group neither enters into transactions involving derivative instruments nor does it apply hedge accounting, the amendment did not have any impact on the Group's consolidated financial statements.

(iv) PFRS 10, 12 and PAS 27 (Amendments) – *Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39 or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. The Group's current consolidation policies are not affected by these amendments; thus, such did not have an impact on the Group's consolidated financial statements.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

-

(b) Effective Subsequent to 2015 but not Adopted Early

There are new amendments and annual improvements to existing standards effective for annual periods subsequent to 2015, which are issued by the FRSC, subject to the approval of the BOA. 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 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 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.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different nature or functions. Moreover, the amendment further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(v) PFRS 10 (Amendment*), Consolidated Financial Statements - Investment Entities:*

Applying the Consolidation Exception (effective from January 1, 2016). This amendment confirms that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its interest in all its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarifies that if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services that are related to the investment activities of the investment entity parent, the latter shall consolidate that subsidiary.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This newstandard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions).

This standard contains, among others, the following:

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

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

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

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

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss. The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have 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 the revaluation of the carrying amount of the asset.

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

(c) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments, which have been aggregated and the economic indicators, which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

(e) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

(b) 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 definition of financial assets or financial liabilities as defined in PAS 32.

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

Annnal Improvements to PFRS (2012-2014 Cycle)

(a) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(d) PAS 34 (Amendment), *Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"*. The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

(e) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purpose of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(f) PFRS 7 (Amendment), *Financial Instruments – Applicability of Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, Interim Financial Reporting, when its inclusion would be necessary in order to meet the general principles of PAS 34.

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, 2016 and December 31, 2015 and certain assets and liabilities information regarding industry segments at June 30, 2016.

	June 30, 2016				
	Securities Brokerage	**Investment Banking**	**Leasing**	**Elimination**	**Group**
Revenues:					
External	**169,712,790**	**3,035,177**	**38,194,606**	**-**	**210,942,573**
Inter-segment	**-**	**712,351**	**4,024,944**	**(4,737,295)**	**-**
Total revenues	**169,712,790**	**3,747,528**	**42,219,550**	**(4,737,295)**	**210,942,573**
Expenses					
External	**(59,255,738)**	**(106,541,535)**	**(18,267,281)**	**-**	**(184,064,554)**
Inter-segment	**(4,737,295)**	**-**	**-**	**(4,737,295)**	**-**
Total expenses	**(63,993,033)**	**(106,541,535)**	**(18,267,281)**	**(4,737,295)**	**(184,064,554)**
Operating Income	**105,719,758**	**(102,794,007)**	**23,952,269**	**-**	**26,878,019**
Net income	**97,103,183**	**(102,806,762)**	**23,951,984**	**-**	**18,248,405**
Segment assets	**879,986,178**	**5,438,699,839**	**677,742,964**	**(1,111,235,142)**	**5,885,193,838**
Segment liabilities	**444,900,306**	**2,902,928,829**	**486,080,024**	**(292,871,177)**	**3,539,760,691**

	December 31, 2015				
	Securities Brokerage	**Investment Banking**	**Leasing and Others**	**Elimination**	**Group**
Revenues:					
External	182,646,043	139,949,383	46,090,090		368,685,516
Inter-segment	65,331	41,016,185	8,282,016	(50,365,277)	(1,001,745)
Total revenues	182,711,374	180,965,568	54,372,106	(50,365,277)	367,683,771
Expenses					
External	130,998,544	206,833,830	31,041,046		368,873,420
Inter-segment	39,237,839	10,125,694	-	(134,040,833)	-
Total expenses	170,236,383	216,959,524	31,041,046	(134,040,833)	368,873,420
Operating income	**12,474,991**	**(35,993,956)**	**23,331,060**	**(1,001,744)**	**(1,189,649)**
Net Profit (Loss)	**6,084,177**	**(25,032,510)**	**23,042,702**	**1,001,744**	**3,092,625**
Segment assets	692,819,973	4,949,705,160	562,527,2020	(894,057,421)	5,310,994,914
Segment liabilities	354,837,284	2,518,409,157	394,816,246	(78,733,940)	3,189,328,747

4. 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 ₱809,297,121 and ₱715,166,513 as of June 30, 2016 and December 31, 2015.

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

The gain on sale of financial assets at FVTPL amounted to ₱70,613,366 in June 20166 and ₱78,766,959 in December 2015. These are presented as part of Gain on Sale of Investments in Financial Assets.

5. AVAILABLE FOR SALE FINANCIAL ASSETS

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

	June 30, 2016	December 31, 2015
At fair value :		
BCor	₱2,548,430,330	₱2,344,530,585
PLC	-	1,600,000
COAL	-	800,400
Others- Club shares	6,250,000	6,250,000
	2,554,680,330	2,353,180,985
At cost:		
Universal Rightfields Prop.	144,910,130	144,910,130
Metro Pacific Corporation	10,697,669	10,697,669
Philippine Central Depository	22,800	22,800
Others	3,000,000	3,000,000
	158,630,599	158,630,599
Allowance for impairment	**(158,117,957)**	(150,281,764)
	512,642	8,348,835
	₱2,555,192,972	**₱2,361,529,820**

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.

6. RECEIVABLES

This account consists of:

	June 30, 2016	December 31, 2015
Customers/brokers	**₱1,400,655,651**	₱998,925,141
Equities Margin and other loans	**580,008,482**	631,100,575
Accounts receivable	**266,170,066**	235,442,541
Notes receivable	**74,612,364**	79,519,138
Interest receivables	**65,141,629**	65,141,629
Management fee receivable	**32,968,049**	34,000,000
Others	**13,320,697**	12,222,758
	2,432,876,938	2,073,035,715
Allowance for impairment losses	**(286,386,928)**	(284,409,762)
	₱2,146,490,011	₱1,788,709,612

7. PROPERTY AND EQUIPMENT

This account consists of Condominium Units, Computer Equipment, Leasehold Improvements, Transportation Equipment, and Furniture and Fixtures. As of June 30, 2016 and December 31, 2015, Property and Equipment amounted to ₱46 million and ₱51.7 million, respectively (net accumulated depreciation).

8. OTHER ASSETS

The breakdown of this account follows:

	June 30, 2016	December 31, 2015
Deferred tax assets – net	**₱121,922,926**	₱130,188,403
Creditable withholding taxes	**106,553,923**	101,661,253
Goodwill	**84,584,951**	84,584,951
Deferred oil exploration costs	**15,418,003**	15,418,003
Prepayments	**8,077,839**	831,789
Trading right	**1,408,000**	1,408,000
Others	**100,730**	4,880,146
	338,066,371	335,582,376
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)
	₱273,387,772	₱274,293,946

9. 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, 2016 and December 31, 2015 amount to ₱406,728,101 and ₱201,317,786, respectively.

10. 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, 2016	December 31, 2015
Accounts Payable and accrued expenses	**₱87,774,994**	₱ 39,663,927
Post-employment defined benefit obligation	**28,129,472**	33,129,473
Payable to clearing house	**-**	57,251,834
Taxes Payable	**-**	13,626,079
Dividends payable	**-**	28,347
Others	**6,069,482**	3,146,477
	₱121,845,698	₱146,846,137

11. 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 7.0% in 2016 and from 5.0% to 8.30% in 2015.

12. 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.

13. 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 **₱129,967** in June 2016 and **₱129,046** in December 2015.

The exchange rate used are ₱46.96:US$1 as of June 30, 2016 and ₱47.166:US$1 as of December 31, 2015 .

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:

	2016	**2015**
Cash in bank	₱ 54,906,473	₱ 119,470,020
Receivables-net	2,146,490,011	1,788,709,612
	₱2,201,396,484	**₱1,908,179,632**

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, 2016. 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.

14. CONTINGENCIES

As of June 30, 2016, 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, 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, 2016

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	1,400,655,649	1,392,389,147	0	0	8,266,501
Equity margin loans	580,008,482	-	35,000,000	363,446,824	181,561,658
Notes and interest receivables	405,924,059	-	25,000,000	284,365,290	96,558,770
Management fee receivable	32,968,049	-	32,968,049	-	-
Others	13,320,700	-	13,320,700	-	-
Total	2,432,876,939	1,392,389,147	106,288,749	647,812,114	286,386,928
Less Allowance for doubtful accounts	286,386,928	-	-	-	286,386,928
Accounts Receivable, June 30, 2016	**2,146,490,011**	**1,392,389,147**	**106,288,749**	**647,812,114**	**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.