NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION

FINANCIAL STATEMENTS
December 31, 2017 and 2016

and

Report of Independent Auditors

NEGOSYONG PINOY
An Affiliate Partner of Venture South International FINANCE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the shareholders.

Perez, Sese, Villa & Co., the independent auditor appointed by the shareholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the shareholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

GEORGE M. PETTY
Chairman

4/18

MA. AGNES J. ANGELES
President

ROBERT C. BASTILLO
Treasurer

Signed this 10th day of April 2018.

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the PASIG CITY Philippines, this 10 APR 2018 affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants photograph and signature.

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE AND PLACE ISSUED

6 Floor, New Semicon Building, Marcos Highway, Brgy. De la Paz, Pasig City
contact@negosyongpinoy.ph / www.negosyongpinoy.ph

DOC. NO. 517
PAGE NO. 105
BOOK NO. 11
SERIES OF 2018

Atty. JOHN EVAN V. BARON
Notary Public
Until December 31, 2019
Attorney's Roll No. 60622
PTR No. 3846305 PASIG CITY 2018
IBP No. 017272 RSM 2018

PEREZ, SESE, VILLA & Co.
CERTIFIED PUBLIC ACCOUNTANTS

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

To the Board of Directors
NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
6th floor, New Semicon Building
Marcos Highway, Brgy. Dela Paz
Pasig City

We have audited the financial statements of **NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION** for the year ended December 31, 2017, on which we have rendered the attached report dated April 10, 2018.

In compliance with SRC Rule 68, we are stating that the Company has a total number of four (4) shareholder owning one hundred (100) or more shares each as of December 31, 2017.

PEREZ, SESE, VILLA & CO.
BOA/PRC Reg. No. 0222, Issued September 18, 2017
Valid until August 20, 2020
SEC A.N. (Firm) 0336-F, Group B Category, Issued January 19, 2017
Valid until January 19, 2020
IC A.N. (Firm) F-2017/008-R, Issued August 30, 2017
Valid until August 29, 2020

For the Firm:

MA. ALMA C. SESE
PARTNER
CPA Cert. No. 54588
TIN 212-955-173-000
PTR No. 7010225
Issued on January 10, 2018
SEC A.N. (Individual) 1606-A, Group B Category, Issued January 19, 2017
Valid until January 19, 2020
BIR No. 06-002735-001-2017, Issued January 04, 2018
Valid until January 03, 2021
IC A.N. (Individual) SP-2017/009-R, Issued August 30, 2017
Valid until August 29, 2020

Manila, Philippines
April 10, 2018

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

To The Board of Directors
NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
6th floor, New Semicon Building
Marcos Highway, Brgy. Dela Paz
Pasig City

We have audited the financial statements of **NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION** as at and for the years ended December 31, 2017 in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated April 10, 2018. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on ratio or percentage of total real estate investment to total assets, total receivables to total assets; total DORSI receivable to net worth and amount of receivable from single corporation to total receivables and the accompanying schedule of the list of the standards adopted by **NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION** as at December 31, 2017, as required by the Securities and Exchange Commission under the SRC Rule 68, as Amended, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information are the responsibility of management and have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Manila, Philippines
April 10, 2018

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
6th floor, New Semicon Building
Marcos Highway, Brgy. Dela Paz
Pasig City

Report on the Financial Statements

Opinion

We have audited the financial statements of **NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION** (the Company), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2016 required by the Bureau of Internal Revenue as disclosed in Note [illegible] to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Valid until August 29, 2020

Manila, Philippines
April 10, 2018

BUREAU OF INTERNAL REVENUE
RR7, Q.C. - RDO 43 PASIG CITY CITY
RECEIVED
APR 1 8 2018
MARIA FLOR A. LISING
COLLECTION SECTION

NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2017and 2016

	Notes		2017		2016
ASSETS					
Current Assets					
Cash	*4,6*	₱	**39,402,128**	₱	74,375,485
Loans receivable	*4,5,7*		**194,777,761**		163,889,177
Other receivable	*4,8*		**1,820,205**		147,901
Short term investment	*4,10*		**176,037,124**		-
Due from related parties	*4,28*		**28,275,967**		14,047,824
Prepayments	*4,9*		**1,883,387**		2,385,631
Total Current Assets			**442,196,572**		254,846,018
Non-Current Assets					
Long term investment	*4,10*		-		238,192,209
Investment property	*4,5,11*		**10,046,069**		9,846,069
Property and equipment, net	*4,5,12,22*		**1,430,095**		2,825,337
Deferred tax assets	*4,5,27*		**14,452,658**		14,172,420
Other non-current assets	*4,13*		**755,680**		470,816
Total Non-Current Assets			**26,684,502**		265,506,851
TOTAL ASSETS		₱	**468,881,074**	₱	520,352,869
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	*4,14*	₱	**3,482,216**	₱	4,072,684
Loans payable-current	*4,15*		**335,739,970**		333,154,688
Due to related parties	*4,28*		**71,638,740**		38,680,973
Total Current Liabilities			**410,860,926**		375,908,345
Non-Current Liability					
Loans payable non-current	*4,15*		-		88,228,740
Accrued retirement liability	*4,16*		**3,161,139**		2,496,733
Total Non-Current Liabilities			**3,161,139**		90,725,473
Equity					
Share Capital	*4,17*		**80,200,000**		80,200,000
Accumulated deficit	*4*		**(25,340,991)**		(26,480,949)
Equity, net			**54,859,009**		53,719,051
TOTAL LIABILITIES AND EQUITY		₱	**468,881,074**	₱	520,352,869

(See accompanying Notes to Financial Statements)

NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For The Years Ended December 31, 2017and 2016

	Notes	**2017**	2016
REVENUE	*4,18*	₱ **45,605,869**	₱ 54,216,016
DIRECT COST	*4,19*	**27,909,204**	34,267,113
GROSS INCOME		**17,696,665**	19,948,903
OPERATING EXPENSES	*4,20*	**17,155,829**	17,329,432
INCOME FROM OPERATION		**540,836**	2,619,471
OTHER INCOME (LOSS)	*4,26*	**717,942**	(819,022)
INCOME BEFORE INCOME TAX		**1,258,778**	1,800,449
INCOME TAX EXPENSE			
Current	*4,27*	**(4,115,983)**	(3,437,077)
Deferred	*4,27*	**4,234,803**	3,640,434
		118,820	203,357
NET INCOME FOR THE YEAR		**1,139,958**	1,597,092
OTHER COMPREHENSIVE INCOME	*4*	**-**	-
TOTAL COMPREHENSIVE INCOME		₱ **1,139,958**	₱ 1,597,092

(See accompanying Notes to Financial Statements)

NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For The Years Ended December 31, 2017and 2016

	Notes		2017		2016
SHARE CAPITAL	*4,17*	₱	**80,200,000**	₱	80,200,000
ACCUMULATED DEFICIT	*4*				
Balance beginning of the year			**(26,480,949)**		(24,827,752)
Dividends			**-**		(3,250,289)
Total comprehensive income			**1,139,958**		1,597,092
Balance end of the year			**(25,340,991)**		(26,480,949)
EQUITY, NET OF DEFICIT		₱	**54,859,009**	₱	53,719,051

(See accompanying Notes to Financial Statements)

NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017and 2016

	Notes		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income before income tax		₱	**1,258,778**	₱	1,800,449
Adjustment to reconcile net income to					
net cash provided by operating activities:					
Retirement benefits	*4,16*		**664,406**		607,612
Depreciation	*4,5,12,22*		**1,130,069**		1,466,573
Derecognition of transportation equipment	*4,5,12,22*		**964,378**		-
Interest Income	*4,26*		**(1,468,448)**		(1,893,055)
Operating income before changes in working capital			**2,549,183**		1,981,579
Decerease (Increase) in:					
Loans receivable	*4,5,7*		**(30,888,584)**		(31,599,428)
Other receivables	*4,8*		**(1,672,304)**		31,946
Short tem investment	*4,10*		**(176,037,124)**		-
Due from related parties	*4,28*		**(14,228,143)**		(14,047,824)
Prepayments	*4,9*		**502,244**		(1,160,699)
Other non current assets	*4,13*		**(284,864)**		70,413
Increase (Decrease) in:					
Trade and other payables	*4,14*		**(590,468)**		1,645,366
Cash used in operating activities			**(220,650,060)**		(43,078,647)
Income tax paid	*4,27*		**(399,058)**		(2,655,413)
Interest received	*4,26*		**1,468,448**		1,893,055
Net cash used in operating activities			**(219,580,670)**		(43,841,005)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional long term investment	*4,10*		**238,192,209**		(105,270,156)
Real and other properties acquired	*4,5,11*		**(200,000)**		(7,998,989)
Acquisitions of property and equipment	*4,5,12,22*		**(699,205)**		(1,827,189)
Net cash provided by (used in) investing activities			**237,293,004**		(115,096,334)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from shareholders	*4,28*		**2,558,500**		34,500,973
Advances from affiliate	*4,28*		**69,080,240**		-
Proceeds on loans	*4,15*		**210,651,021**		179,391,512
Payment of loans	*4,15*		**(296,294,479)**		(41,914,582)
Dividends payment	*4*		-		(3,250,289)
Payment to related parties	*4,28*		**(38,680,973)**		-
Proceeds from issuance of share capital	*4,17*		-		8,000,000
Net cash provided by (used in) financing activities			**(52,685,691)**		176,727,614
NET INCREASE (DECREASE) IN CASH			**(34,973,357)**		17,790,275
CASH AT BEGINNING OF THE YEAR	*4,6*		**74,375,485**		56,585,210
CASH AT END OF THE YEAR		₱	**39,402,128**	₱	74,375,485

(See accompanying Notes to Financial Statements)

NOTE 1 - GENERAL INFORMATION

NEGOSYONG PINOY FINANCE CORPORATION (the Company) is a corporation registered with the Philippine Securities and Exchange Commission under registration number CS201102891 dated March 18, 2011. The Company is established primarily to carry on the business of extending credit facilities to consumers and to industrial, commercial or agricultural enterprises by direct lending or by discounting or factoring commercial papers or account receivable or by buying and selling contracts, leases, chattel mortgage or other evidence of indebtedness, or by financial leasing of movable as well as immovable property.

The Company's secondary license was issued on March 18, 2012 with Certificate of Registration No 1028. Under its secondary license, the Company is authorized to operate as financing company in accordance with the rules and regulation implementing the provision of RA No. 8556 (The Financing Company Act of 1998).

Venture South International (VSI) of Geneva, Switzerland, a foreign corporation has 60% voting privilege.

The Company's main office address and place of business is located at 6th Floor, New Semicon Building, Marcos Highway, Barangay Dela Paz, Pasig City. It has a branch office located at 5th Flr. Krizia Bldg. Gorordo Avenue, Cebu.

Approval of the Financial Statements

The financial statements of the Company for the year ended December 31, 2017 were approved and authorized for issue by the Board of Directors on April 10, 2018.

NOTE 2 - FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board Of Accountancy (BOA) and adopted by the SEC.

These financial statements are the Company's separate financial statements. The Company does not have any other subsidiary nor a parent or ultimate parent company.

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs the asset or liability.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented has been rounded off to the nearest peso, except when otherwise stated.

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

- Amendments to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS in Issue But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ending December 31, 2017 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

  - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

  - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  - The derecognition provisions are carried over almost unchanged from PAS 39.

The Company has performed a preliminary assessment of the impact of PFRS 9 on the financial statements based on an analysis of the financial assets and liabilities and the facts and circumstances that exist as at December 31, 2017.

- All the financial assets and financial liabilities except for available-for-sale financial assets should continue to be measured on the same bases as currently under PAS 39.

- Concerning impairment, the Company expects to apply the simplified approach to recognize lifetime expected credit loss for the Company's trade receivables. Although the Company is currently assessing the extent of this impact, it is anticipated that the application of the expected credit loss model of PFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new expected credit loss model proves to be challenging and might involve significant modifications to the Company's credit management systems.

- The Company is currently assessing the extent of the impact of the expected credit loss model on its Financial Position. However, it is not practicable to provide reasonable estimate of that effect until a detailed review that is in progress has been completed.

- As the new hedge accounting requirements will align more closely with the Company's risk management policies, a preliminary assessment of the Company's current hedging relationships indicate that these will qualify as continuing hedging relationships upon application of PFRS 9. The Company does not anticipate that the application of the PFRS 9 hedge accounting requirements will have a material impact on the financial statements.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and condition of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9, thus continuing to apply PAS 39 instead ('the deferral approach').

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

- For the Company's non-cancellable operating lease commitments as at December 31, 2017, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognised in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company complete the review.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company except for PFRS 9 and 16.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Instruments

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for investments classified at fair value through profit or loss (FVTPL).

Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments (HTM), available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

The Company classifies financial assets as at FVTPL when the financial asset is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income/income statement.

As of the reporting date, the Company does not have financial assets that are designated at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's financial assets classified under this category include cash and short term investment, loans receivables, other receivables, rental deposits and miscellaneous deposits.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

As of the reporting date, the Company does not have financial assets that are classified as held-to-maturity investments.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company has also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

AFS assets are included in non-current assets unless the investment matures or management intends to dispose it within 12 months after the end of the reporting period

As of the reporting date, the Company does not have financial assets that are classified as available-for-sale financial assets.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as loans receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of six months days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risk and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities and Equity Instruments

Classification as Debt or Equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities except for debt instruments classified at FVTPL. In a regular way purchase or sale, financial liabilities are recognized and derecognized, as applicable, using settlement date accounting.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of an Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in notes.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method. Trade and other payables and loans payable are classified as other financial liabilities.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contigent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at fair value of the consideration received, net of direct issue costs.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary dividends thereon are recognized as distribution within equity upon approval by the Company's shareholders.

Preference shares are classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognized as interest expense in profit or loss as accrued.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the direct cost related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

At the end of each reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

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

Leasehold Improvement	5 years
Office Furniture Fixtures and Equipment	5 years
Transportation Equipment	5 years

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. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Property

Investment properties are real properties that are held to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Land is not subject to depreciation

Properties that are in the course of construction that are classified as investment properties are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing cost capitalized. Depreciation of these assets, on the same basis as other investment properties, commences at the time the assets are ready for their intended use.

Transfers to, or from, investment property shall be made only when there is a change in use.

Investment property is derecognized by the Company upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Impairment of Non-financial Assets

At each reporting date, property and equipment and investment property are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Items of property and equipment and investment property are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

Interest Revenue

Interest revenue from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Processing fees

Processing fees are recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Processing fees are directly deducted from the proceeds of approved loans and recognized as revenue upon release of the loans.

Deferment fee income

Deferment fees are recognized when it is probable that the economic benefits will flow the Company and the amount of income can be measured reliably which coincides with the timing of the collection.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statement of comprehensive income are presented using the function of expense method. Direct Cost are expenses incurred such as salaries, interest expense and any other expenses directly associated with the services rendered. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Company.

Leases

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

All other leases are classified as operating leases. Rentals payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Company as Lessee

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale,

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign Currency Transactions and Translation

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Resulting gain or loss are reported under other income (loss) and presented in the statements of comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Employee Benefits

Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefits are recognized as expense in the period the related service is provided.

Retirement Benefits

The Company has an unfunded, no-contributory defined benefit plan covering all qualified employees. The retirement benefit cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognized service cost, comprising of current service cost, past service cost, gains and losses on curtailments and non-routine settlements; and net interest expense in profit or loss. Net interest expense is calculated by applying the discount rate to the retirement liability.

Past service cost are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring-related cost.

Remeasurements comprising actuarial gains and losses, return on plan assets and any changes in the effect of the asset ceiling (excluding net interest on retirement liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Retirement liability is the aggregate of the present value of the defined benefit obligation (DBO) and actuarial gains and losses. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related DBO.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materiality from the amounts that would be determined at the reporting date.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax liability is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax rate, whichever is higher.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the company has a present obligation, either legal or constructive, as a result of a past event, it is probable that the company will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingent assets and liabilities are not recognized in the statement of financial position.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with *Philippine Financial Reporting Standards* requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating Lease Commitments – Company as Lessee

Based on Management evaluation, the lease arrangements entered into by Company as lessee are accounted for as operating leases because the Company has determined that the lessor will not transfer the ownership of the leased assets to the Company upon termination of the lease and the lessor has not given the Company an option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option.

Assessment of Impairment of Nonfinancial Assets

The Company determines whether there are indicators of impairment of the Company's property and equipment, real and other properties owned and acquired and prepaid expenses. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

No impairment loss is recognized in the Company's financial statements in 2017 and 2016.

Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Allowance for Impairment of Receivables

The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Company's relationship with the customer, the customer's payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

In determining the allowance for credit losses, the Company considered the implementing rules and regulation under section 9 (f) of Republic Act No. 8556 (The Financing Act of 1998) issued by the Securities and Exchange Commission (SEC) that requires 100% allowance for probable losses for: a) more than six months past due. b) Past due loans secured by collateral such as inventories, receivable, equipment and other chattels that have declined in value by more than 50% without the borrowers offering additional collateral for the loans. c) Past due loans secured by real estate mortgage, title to which is subject to adverse claim rendering settlement through foreclosure doubtful. d) When the borrower, and his co-maker or guarantor is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired. e) Accrued interest receivable that remain uncollected after six (6) months from maturity date of such loans to which it accrues. f) Accounts receivable past due for 361 days.

Total loans receivables recognized in the Company's statements of financial position amounted to ₱ 194,777,761 and ₱ 163,889,177 as at December 31, 2017 and 2016, respectively, which is net of the related allowances for doubtful accounts amounting to ₱ 10,253,397 and ₱ 30,450,649, as at those dates, respectively.

Estimating Useful Lives of Property and Equipment

The Company estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used for the depreciation of property and equipment:

Leasehold Improvement	5 years
Office Furniture Fixtures and Equipment	5 years
Transportation Equipment	5 years

As at December 31, 2017 and 2016, the carrying amounts of the Company's property and equipment amounted to ₱ 1,430,095 and ₱ 2,825,337, respectively. Depreciation cost charged to operation amounts to ₱ 1,130,069 and ₱ 1,466,573 in 2016 and 2015, respectively.

NOTE 6 - CASH

Cash at the end of the reporting period as shown in the statement of cash flow can be reconciled to the related items in statements of financial position as follows:

		2017		2016
Cash in banks	₱	**39,362,128**	₱	74,345,485
Petty cash fund		**40,000**		30,000
	₱	**39,402,128**	₱	74,375,485

Cash in bank includes deposits on savings and current account that earns interest based on the prevailing bank deposit rates. Interest income from cash and long term investment (Note 10) recognized in the Statements of Comprehensive Income amounted to ₱ 1,468,448 and ₱1,893,055 as of December 31, 2017 and 2016, respectively. Petty cash fund is intended for daily disbursements of small amount.

NOTE 7 - LOANS RECEIVABLE

The Company's loans receivable consist of:

		2017		2016
Loans receivable	₱	**242,034,426**	₱	242,845,289
Less: Unearned interest income		**(37,003,268)**		(48,505,463)
Total loans receivables		**205,031,158**		194,339,826
Less: Allowance for impairment		**(10,253,397)**		(30,450,649)
	₱	**194,777,761**	₱	163,889,177

Loans receivables are interest bearing notes, ranging from 1.5% to 2.5% per month. These are collectible based on the monthly amortization schedule. Interest income earned from receivable from customers amounted to ₱ 36,829,277 and ₱ 39,979,130 in 2017 and 2016, respectively.

As of December 31, 2017 and 2016, loans receivable amounting to ₱ 80,503,303 and ₱ 16,236,395 are covered by Real Estate Mortgage, respectively.

Movements in allowance for impairment of receivables:

		2017		2016
Allowance, Beginning Balance	₱	**30,450,649**	₱	44,745,154
Add : Impairment loss		**1,025,767**		3,796,888
Total		**31,476,416**		48,542,042
Less: Write Off		**21,223,019**		18,091,393
Allowance, Ending Balance	₱	**10,253,397**	₱	30,450,649

All of the Company's loans receivables have been reviewed for indication of impairment, certain loans receivables were found to be impaired, and hence, adequate amounts of allowance for credit losses have been recognized.

In determining the recoverability of loans receivables, the Company considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the BOD believes that there is no further allowance for credit losses required in excess of those that were already provided.

During the year 2017 and 2016, the Company has written off the amount of ₱ 21,223,019 and ₱ 18,091,393, respectively.

Aging of past due accounts but not impaired and credit quality of loans and other receivables are disclosed in Note 30.

On August 1, 2016, the Company entered into an agreement with Backbone South SME, a private limited company under the law of the Grand-Duchy of Luxembourg with office address at 1,rue jean-Pierre Brasseur – L-1258 Luxembourg to support the continuous growth and expansion of Hyper Growth SME needing above ₱ 3,000,000 that the Company cannot serve. The backbone will lend $ 800,000 representing 80% share and the Company will share $ 200,000 representing

20% share on the Fund. Under this agreement, the total loans receivables are inclusive of the ₱49,748,916 and ₱22,006,942 transactions for the year 2017 and 2016, respectively.

NOTE 8 - OTHER RECEIVABLES

This account consists of the following:

		2017		2016
Advances to officers and employees	₱	**787,427**	₱	13,645
Advances others		**1,032,778**		134,256
Total	₱	**1,820,205**	₱	147,901

Advances to officers and employees which consist mainly of receivable from employees and officers which are non-interest bearing and are normally liquidated within in month. Advances others pertains to expense incurred by the Company on behalf of funders such as expenses shared by the funders on the instafin system, trainings and seminars which are reimbursable and non-interest bearing.

NOTE 9 - PREPAYMENTS

This account consists of the following:

		2017		2016
Prepaid income tax	₱	**1,838,534**	₱	2,237,593
Prepaid insurance		**44,853**		148,038
Total	₱	**1,883,387**	₱	2,385,631

Prepaid income tax pertains to excess income tax payment which is creditable against future taxable income. Prepaid insurance pertains to the employee's health insurance.

NOTE 10 - INVESTMENT

Outstanding balance of investment are as follows:

		2017		2016
Short term investment	₱	**176,037,124**	₱	-
Long term investment		**-**		238,192,209
Total	₱	**176,037,124**	₱	238,192,209

Investment pertains to the time deposits made to various banks which earns interest approximately between 0.75% to 1.25 % per annum. These investments were restricted as a security and collateral on the loans (Note 15).

Details of the balances are as follows:

		2017		2016
Banco De Oro, Inc.	₱	**106,956,884**	₱	101,616,412
Security Bank		**69,080,240**		48,100,000
Land Bank of the Philippines		**-**		40,876,516
Metro Bank and Trust Company		**-**		25,173,375
Development Bank of the Philippines		**-**		22,425,906
Total	₱	**176,037,124**	₱	238,192,209

NOTE 11 - INVESTMENT PROPERTY

This pertains to Real and Other Properties Acquired (ROPA) specifically residential lot acquired by the company in settlement of receivable through foreclosure or dacion en pago. Movements of this account are as follows:

	2017	2016
Costs		
Beginning Balance	₱ 9,846,069	₱ 1,847,080
Additions	200,000	7,998,989
Disposals	-	-
Ending Balance	₱ 10,046,069	₱ 9,846,069
Accumulated depreciation		
Beginning Balance	-	-
Depreciation expense	-	-
Disposals	-	-
Ending Balance	-	-
Carrying amount December 31	₱ 10,046,069	₱ 9,846,069

ROPA is booked at the carrying amount of loan (outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses, plus transaction costs incurred upòn acquisition. Any gain or loss resulting from the sale of ROPA is immediately recognized in the statement of comprehensive income as gains (losses) from sale of ROPA under Other Gains (Losses) account. Real and Other Properties Acquired consists of residential lots with carrying value of ₱ 10,046,069 and ₱ 9,846,069 in 2017 and 2016, respectively.

NOTE 12 - PROPERTY AND EQUIPMENT

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016, of property and equipment is shown below:

2017

	Leasehold Improvements	Furniture, fixtures and devices	Office Equipment	Transportation Equipment	Other Equipment	Total
Costs						
December 31, 2016	₱ 1,387,333	₱ 1,409,273	₱ 1,540,976	₱ 2,187,637	₱ 545,467	₱ 7,070,686
Additions	158,118	9,200	152,700	-	379,187	699,205
Disposals	-	-	-	(1,119,800)	-	(1,119,800)
December 31, 2017	1,545,451	1,418,473	1,693,676	1,067,837	924,654	6,650,091
Accumulated depreciation						
December 31, 2016	1,112,486	893,173	903,560	1,001,790	334,341	4,245,349
Depreciation expense	148,159	322,135	255,181	207,313	197,281	1,130,069
Disposals	-	-	-	(155,422)	-	(155,422)
December 31, 2017	1,260,645	1,215,308	1,158,741	1,053,681	531,622	5,219,996
Carrying amount- 12/31/2016	₱ 274,847	₱ 516,100	₱ 637,416	₱ 1,185,847	₱ 211,126	₱ 2,825,337
Carrying amount- 12/31/2017	₱ 284,806	₱ 203,165	₱ 534,935	₱ 14,156	₱ 393,032	₱ 1,430,095

2016

	Leasehold Improvements	Furniture, fixtures and devices	Office Equipment	Transportation Equipment	Other Equipment	Total
Costs						
December 31, 2015	₱ 1,387,333	₱ 1,345,473	₱ 1,403,657	₱ 1,067,837	₱ 39,197	₱ 5,243,497
Additions	-	63,800	137,319	1,119,800	506,270	1,827,189
Disposals	-	-	-	-	-	-
December 31, 2016	1,387,333	1,409,273	1,540,976	2,187,637	545,467	7,070,686
Accumulated depreciation						
December 31, 2015	864,103	710,979	596,183	583,342	24,170	2,778,776
Depreciation expense	248,383	182,194	307,377	418,448	310,171	1,466,573
Disposals	-	-	-	-	-	-
December 31, 2016	1,112,486	893,173	903,560	1,001,790	334,341	4,245,349
Carrying amount- 12/31/2015	₱ 523,230	₱ 634,494	₱ 807,474	₱ 484,495	₱ 15,027	₱ 2,464,721
Carrying amount- 12/31/2016	₱ 274,847	₱ 516,100	₱ 637,416	₱ 1,185,847	₱ 211,126	₱ 2,825,337

As of December 31, 2017 and 2016, management has determined that there is no evidence of impairment on any item of property and equipment.

The Company has no contractual commitment to acquire property and equipment at the end of the reporting periods and there were no property and equipment used as security to any indebtedness.

NOTE 13 - OTHER NON CURRENT ASSETS

This account consists of:

	2017	2016
Miscellaneous deposits	₱ **412,953**	₱ 248,789
Rental deposits	**342,727**	222,027
	₱ **755,680**	₱ 470,816

Miscellaneous deposit pertains to various refundable deposits made to service providers. Rental deposits pertain to security deposit required by the lessor to cover any unpaid utility bills and to answer for any damages which the leased property may suffer. This amount is refundable within thirty (30) days upon termination of lease contract and after deduction of any amount due to lessor (Note 25).

NOTE 14 - TRADE AND OTHER PAYABLES

This account consists of:

	2017	2016
Trade payables	₱ **2,080**	₱ 1,030,122
Other payables	**3,480,136**	3,042,562
	₱ **3,482,216**	₱ 4,072,684

Trade payables represent liabilities to various suppliers for the purchase of goods and services in the normal course of business. Trade and other payables are non-interest bearing. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Details of other payables are shown below:

		2017		2016
Accrued interest expense and others	₱	**2,052,180**	₱	1,840,081
Withholding tax payable		**583,642**		690,379
SSS/HDMF/PHIC payable		**407,668**		84,416
Documentary stamp tax payable		**153,133**		134,674
Insurance payable		**120,068**		48,734
Percentage tax payable		**107,504**		215,364
SSS/HDMF Loan Payable		**55,941**		28,914
	₱	**3,480,136**	₱	3,042,562

Details of accrued expenses are shown below:

		2017		2016
Interest payable	₱	**1,717,696**	₱	1,804,920
Others		**334,484**		35,161
	₱	**2,052,180**	₱	1,840,081

NOTE 15 - LOAN PAYABLES

This account is composed of:

		2017		2016
Current				
Corporate Lender	₱	**136,883,000**	₱	129,499,488
BDO Unibank, Inc.		**84,689,600**		79,105,200
Security Bank		**59,792,370**		40,500,000
Land Bank of the Philippines		**39,375,000**		42,950,000
Small Business Guaranty & Fund Corp.		**15,000,000**		-
Metropolitan Bank & Trust Company		-		21,100,000
Development Bank of the Philippines		-		20,000,000
	₱	**335,739,970**	₱	333,154,688

		2017		2016
Non-Current				
Corporate Lender	₱	-	₱	88,228,740
Total Loans Payables	₱	**335,739,970**	₱	421,383,428

Corporate Lender

On 2016, the Company entered into loan agreements with Triple Jump B.V. for the purpose of funding the lending activities of the Company. These loans amounted to € 1,000,000 with a term of two (2) years and bear an interest of 7.5% per annum. The interest is paid semi-annually and the principal is due and payable upon maturity of the loan. Outstanding balance of the loan as of December 31, 2017 and 2016 amounted to ₱ 49,837,596 and ₱ 51,840,000, respectively.

On 2015, the Company obtained a loan from Incofin amounting to $ 1,000,000 with a term of two (2) years, bears an interest of 7.75% per annum and payable semi-annually. On December 7, 2016, the Company settled the $ 500,000 and reloan it to Euro amounting to €466,000 with a term of two (2) years, bears an interest of 7.4% per annum and payable semi-annually. On January 2017 settled the remaining $ 500,000 and reloan it again to Euro amounting to €466,000.

Outstanding balance of loan from Incofin as at December 31, 2017 and 2016 amounted to ₱ 21,737,025 and ₱ 49,062,440, respectively.

In August 2015, the Company obtained an unsecured loan from Symbiotics SA, a company incorporated and organized under the laws of Switzerland, amounting to $375,000 with a term of two (2) years, bears an interest of 7.5% per annum and payable semi-annually. No collateral was required to secure this loan. Outstanding balance as of December 31, 2016 amounts to ₱18,678,750 and were fully paid in 2017. The loan requires the Company to maintain the Uncovered Capital Ratio of at least twenty five percent (25%). For the purpose of this loan, Uncovered Capital Ratio shall be defined with respect to the Issuer's loan portfolio as the sum of [(a) the aggregate principal amount of all loans with one or more payments more than thirty (30) days past due, plus (b) the aggregate principal amount of all loans that have been restructured or rescheduled on account or in anticipation of a payment default minus (c) total loan loss provision] divided by (d) Equity. The Company has compiled with this covenant obligation.

In 2012, the Company secured a loan amounting to ₱ 10,000,000 from Oiko Credit Ecumenical Development Corporate Society, bears an interest of 11.24% per annum and are payable quarterly with principal repayment. In 2014, additional loan of ₱ 20,000,000 and ₱ 15,000,000 were obtained bearing an interest of 9.71% and 8.24% per annum, respectively. In October 2016, additional loan of ₱ 15,000,000 were obtained from Oiko Credit Ecumenical Development Corporate Society under the same terms and conditions. These loans are secured by assignment of receivables. Outstanding balance as at December 31, 2017 and 2016 amounts to ₱ 10,391,395 and ₱ 16,920,059, respectively

In June and July 2014, the Company obtained a loan from Peace and Equity Foundation amounting to ₱ 4,375,000 and ₱ 1,250,000, bearing an interest of 8.5% per annum and are payable quarterly. In May 2015, additional loan was obtained from Peace and Equity Foundation under the same terms and conditions. In June 2016, additional loan of ₱ 6,500,000 were obtained bearing an interest of 8.5% per annum and are payable quarterly. Outstanding balances of loan as of December 31, 2017 and 2016 amounts to ₱ 3,209,364 and ₱ 6,300,000, respectively. These loans are unsecured.

Other loans were obtained from Micro Credit Enterprise with an aggregate amount of $ 1,000,000 on 2014 and 2015, bearing an interest of 9.625% per annum and are payable quarterly. Outstanding balance as of December 31, 2017 and 2016 amounts to ₱ 14,501,284 and ₱ 24,906,500, respectively Loans were also obtained from Lend a Hand with an average rate of 7% per annum and are due monthly. The loan was secured in July 2013 with no collateral. Outstanding balance as of December 31, 2017 and 2016 amounts to ₱ 37,206,336 and ₱50,725,544, respectively.

The debt agreement provided for certain requirements and restrictions with respect to maintenance of certain financial ratios such as debt to equity ratio of five percent (5%) and PAR >30 days. The Company did not comply with the certain financial ratios required by the creditors in the debt agreement. As a result of non-compliance with the loan covenants, the unpaid principal amount were became due and demandable, the remaining balance were still negotiable under Stand Still Agreement as of reporting period.

Total payments made on the principal amounting to ₱123,509,479 and ₱53,105,418 in 2017 and 2016, respectively. Outstanding balance of the loans as of December 31, 2017 and 2016 amounts to ₱196,675,370 and ₱129,499,488, respectively.

<u>Land Bank of the Philippines</u>

In 2017, the Company entered into loan agreements of various dates with Land Bank of the Philippines for the purpose of financing its business operation. These loans amounted to ₱44,105,000 with a term of one (1) year and bear interest of 6.00% per annum. The interest is paid monthly and the principal is due and payable upon maturity of the loan which is one year from the date of loan granted. The loan is secured by the Company's dollar time deposit amounting to $1,310,000 as at December 31, 2017.

In 2016, the Company entered into loan agreements of various dates with Land Bank of the Philippines for the purpose of financing its business operation. These loans amounted to ₱42,950,000 with a term of one (1) year and bear interest of 6.00% per annum. The interest is paid monthly and the principal is due and payable upon maturity of the loan which is one year from the date of loan granted. The loan is secured by the Company's dollar time deposit amounting to $816,000 as at December 31, 2016.

Total payments made on the principal amounting to ₱47,680,000 and ₱95,020,000 in 2017 and 2016, respectively. Outstanding balance of the loans as of December 31, 2017 and 2016 amounts to ₱33,975,000 and ₱42,950,000, respectively.

BDO Unibank, Inc.

In 2017, the Company entered into additional loan agreements of various dates with BDO Unibank, Inc. for purposes of funding the lending activities of the Company amounting to ₱ 89,589,600 with a term of one (1) year and bears an interest of 3% per annum. The principal is due and payable upon maturity of the loan. The loan is secured by Company's dollar and euro time deposits amounting to $876,838 and € 1,000,738 as at December 31, 2017, respectively.

In 2016, the Company entered into loan agreements of various dates with BDO Unibank, Inc. for purposes of funding the lending activities of the Company amounting to ₱ 79,105,200 with a term of one (1) year and bears an interest of 3% per annum. The principal is due and payable upon maturity of the loan. The loan is secured by Company's dollar and euro time deposits amounting to $824,386 and € 1,163,400 as at December 31, 2016, respectively.

Total payments made on the principal amounting to ₱84,005,200 and ₱nil in 2017 and 2016, respectively. Outstanding balance of the loans as of December 31, 2017 and 2016 amounts to ₱84,689,600 and ₱79,105,200, respectively.

Small Business Guaranty & Fund Corp.

On November 29, 2017, the Company obtained a loan from Small Business Guaranty & Fund Corp. for the purpose of funding the lending activities of the Company amounting to ₱ 15,000,000 with a term of sixty days (60) and bears an interest of 5.5% per annum payable via a single payment due in January 28, 2018. These loans are secured by assignment of receivables.

Metropolitan Bank & Trust Company

In January 8, 2016, the Company entered into a loan agreement with Metropolitan Bank & Trust Company for purposes of funding the lending activities of the Company amounting to ₱21,100,000 with a term of one (1) year bears an interest of 3.5% per annum, payable via a single payment due in January 2, 2017. This loan is secured by the Company's US$ Time Deposits amounting to $ 500,000. As of reporting date, the loans were fully paid.

Development Bank of the Philippines

In December 27, 2016, the Company entered into a loan agreement with Development Bank of the Philippines for the purpose of funding the lending activities of the Company amounting to ₱20,000,000 with a term of one (1) year and bears an interest of 3.25% per annum. The loan is secured by the Company's dollar time deposits amounting to $ 450,100 as at December 31, 2016. As of reporting date, the loans were fully paid.

On August 1, 2016, the Company entered into an agreement with Backbone South SME, a private limited company under the law of the Grand-Duchy of Luxembourg with office address at 1,rue jean-Pierre Brasseur – L-1258 Luxembourg to support the continuous growth and expansion of Hyper Growth SME needing above ₱ 3,000,000 that the Company cannot serve. The backbone will lend $ 800,000 representing 80% share and the Company will share $ 200,000 representing 20% share on the Fund. The total fund were used as an collateral to secure a loan from Security Bank on amounting to ₱ 59,792,370 and ₱ 40,500,000 on 2017 and 2016, respectively, bearing an interest of 9.625% per annum, interest is payable monthly.

Details of movement of loans payable is as follows:

		2017		2016
Balance, January 1	₱	**421,383,428**	₱	283,906,498
Proceeds		**210,651,021**		179,391,512
Payments		**(296,294,479)**		(41,914,582)
Balance, December 31	₱	**335,739,970**	₱	421,383,428

Finance cost charged to operation pertaining to these loans amounts to ₱17,706,829 and ₱19,623,613 in 2017 and 2016, respectively.

Foreign denominated loan as of December 31, 2017 and 2016 were translated to peso using the BSP prevailing rate of ₱ 49.92 and ₱ 49.81 per US$, and ₱ 59.61 and ₱ 51.84 per Euro, respectively.

NOTE 16 - RETIREMENT BENEFITS

On January 1, 2015, the Company engages the services of an independent actuarial, for the Company's actuarial valuation of Retirement Plan. The actuarial report was based on employees' data and applied the Accrued Benefit Actuarial Cost Method (Project Unit Credit) taking into account the factors of investment, mortality, disability and salary projection rates to determine the actuarial liability of the Retirement Plan.

The Company's Retirement Plan is non-contributory which provides a retirement benefit equal to one hundred percent (100%) of plan salary for every year of credit service.

The estimated annual cost or current contribution for the valuation period January 1, 2015 to December 31, 2015 is ₱ 570,000. This amount is recommended to be paid monthly or quarterly on the basis of a percentage of covered payroll for the period which is actuarially computed at 10.5%. This actuarial funding rate shall be the basis of current and future service contributions until the next actuarial valuation.

The past service liability as of January 1, 2015 is ₱ 1,319,121 (actuarial liability for services rendered prior to valuation date).

As of January 1, 2015 there is no vested benefit under the Plan (benefit payable assuming all eligible employees will avail of their benefit during the valuation period), since none of the employees is eligible for the Plan Benefits as of the valuation date.

The following are the statement of actuarial assumptions

1.	Valuation Date	:	January 1, 2015
2.	Effective Date	:	January 1, 2015
3.	Investment Rate	:	3% p.a compounded annually
4.	Mortality Rate	:	The 2001 CSO Table – Generational (Scale AA, Society of Actuaries)
5.	Disability Rate	:	The Disability Study, Period 2,

		Benefit 5 (Society of Actuaries)
6. Salary Projection Rate	:	7% p.a, compounded annually
7. Normal Retirement Age	:	Age 60
8. Projected Retirement Age	:	100% of latest Monthly Salary for every year of service
9. Funding Method	:	Accrued Benefit Actuarial Cost Method (Projected Unit Credit)
10. Manner of Payment	:	Lump Sum
11. Withdrawal Rates	:	

Age	Rate
19 – 24	7.50%
25 – 29	6.00%
30 – 34	4.50%
35 – 39	3.00%
40 – 44	2.00%
≥ – 45	0.00%

Under the Accrued Benefit Valuation Method, the Annual Normal Cost is the present value of retirement benefits payable in the future in respect of services in the current period. The Past Service Liability is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The amount of retirement obligation recognized in the statement of financial position is determined as follows:

The movement of the Define Benefit Obligation is as follows:

		2017		2016
Balance at beginning of the year	₱	**2,496,733**	₱	1,889,121
Current service cost		**589,504**		550,938
Interest cost		**74,902**		56,674
Benefits paid		**-**		-
	₱	**3,161,139**	₱	2,496,733

The component of retirement benefits recognized in statement of comprehensive income is as follows:

		2017		2016
Current service cost	₱	**589,504**	₱	550,938
Interest cost		**74,902**		56,674
Expected return on plan asset		**-**		-
	₱	**664,406**	₱	607,612

The total cost relating to defined benefit plan amounts to ₱ 664,406 and ₱ 607,612 in 2017 and 2016, respectively, representing the current service cost and interest cost were recognized in profit or loss.

NOTE 17 - SHARE CAPITAL

The Company's original authorized capital is 1,000 shares with ₱ 10,000 par value per share. On December 2, 2013, this was increased to 11,000 shares divided into 5,000 common shares and 6,000 preferred shares at par value of ₱ 10,000 per share.

Preferred shareholders have no voting rights at any regular or special stockholders' meeting except those cases specifically provided by law. Preferred shares are non-cumulative and non-participating except for the holders of Class "D" Preferred Shares, the holders of all classes of preferred shares shall have preference in the payment of dividends over the holders of the common shares.

Movement of share capital is as follows:

2017

	Common Shares (₱10,000 par value)	Preferred Shares (₱10,000 par value)		Amount
Outstanding, January 1, 2017	2,020	6,000	₱	80,200,000
Issuance	-	-		-
Reacquisition	-	-		-
Outstanding, December 31, 2017	2,020	6,000	₱	80,200,000

2016

	Common Shares (₱10,000 par value)	Preferred Shares (₱10,000 par value)		Amount
Outstanding, January 1, 2016	2,020	5,200	₱	72,200,000
Issuance	-	800		8,000,000
Reacquisition	-	-		-
Outstanding, December 31, 2016	2,020	6,000	₱	80,200,000

Voting Rights

Only common shares shall have voting rights.
The holders of all classes of preferred shares shall have no voting rights at any regular or special stockholders' meeting except in those cases specially provided for by law.

Dividends

All classes of preferred shares shall be non-cumulative and non-participating. Except for the holders of class "D" preferred shares. The holder of all classes of preferred shares shall have preference in the payment of dividends over the holder of common shares.

The dividend rate shall be: up to six percent (6%) per annum for Class "A" preferred shares: up to eight percent (8%) per annum for Class "B" preferred Share: and up to ten percent (10%) per annum for Class "C" Preferred Shares.

Holders of Class "D" preferred shares shall, together with holders of common shares, share in the dividends declared from the unappropriated retained earnings remaining after payments shall have been made on Class "A" class "B" and class "C" preferred shares.

Pre-emptive Rights

The holders of all classes of preferred shares shall not have pre-emptive rights to purchase or subscribe to any issue or disposition of shares of any class of the Corporation, whether out of the unissued shares or otherwise.

Redemption

The Corporation shall have the right to redeem at par value, Class "A" preferred shares at any time after one (1) year from issuance thereof; class "B" preferred shares at any time after two (2) years from issuance thereof; and Class "C" preferred shares at any time after three (3) years from issuance thereof. The Corporation shall have the right to redeem class "D" preferred shares at any time after five (5) years from issuance thereof at market value.

Financing Company Act

Under Republic Act (RA) 8556, Financing Company Act, the Company is required to maintain the following capital requirements:

(a) Minimum paid-up capital of ₱ 10 Million
(b) Additional capital requirement for each branch of ₱ 1.00 Million for branches established in Metro Manila, ₱ 0.50 Million for branches established in other classes of cities and ₱ 0.25 Million for branches established in municipalities.

For the years ended December 31, 2017 and 2016, the Company was in compliance with the minimum paid-up capital under RA 8556.

NOTE 18 - REVENUE

An analysis of the Company's revenue is as follows:

		2017		2016
Interest and finance fees	₱	**40,652,668**	₱	49,070,615
Processing fees on loans		**3,213,401**		4,670,901
Deferment fee income		**1,743,800**		474,500
	₱	**45,609,869**	₱	54,216,016

NOTE 19 - DIRECT COSTS

An analysis of the Company's direct costs is as follows:

		2017		2016
Finance cost (Note 21)	₱	**17,706,829**	₱	19,623,613
Salaries, bonus and allowances (Note 24)		**4,693,781**		6,363,415
Rental		**1,498,003**		1,500,221
Depreciation (Note 22)		**1,130,069**		1,466,573
Transportation and travel		**600,787**		1,960,803
Finance service charge		**576,789**		1,133,845
HDMF, Philhealth and SSS contribution (Note 24)		**459,403**		457,469
Electricity and water		**357,238**		381,919
Communication		**257,471**		326,174
Office supplies		**170,461**		142,392
Repairs and maintenance		**148,718**		188,961
Insurance		**138,927**		211,562
Gasoline and oil		**94,278**		106,965
Representation and entertainment		**76,450**		353,201
Commission		**-**		50,000
	₱	**27,909,204**	₱	34,267,113

NOTE 20 - OPERATING EXPENSE

An analysis of the Company's operating expense is as follows:

		2017		2016
Salaries, bonus and allowances (Note 24)	₱	**6,630,995**	₱	2,385,260
Professional fee		**2,891,742**		2,011,110
Taxes and Licenses		**2,109,688**		4,411,133
Uniform, medical and etc.		**1,125,868**		663,730
Impairment loss (Note 7 and 23)		**1,025,767**		3,796,887
Consultancy fee		**877,825**		990,903
Retirement expense		**664,406**		607,612
Bank charges		**465,571**		93,688
Representation		**313,771**		271,133
Repair and maintenance		**205,243**		178,429
Advertising and promo		**143,740**		431,190
HDMF, Philhealth and SSS contribution (Note 24)		**107,251**		159,983
Transportation and travel		**97,803**		308,327
Honorarium/Director's fee		**91,219**		206,925
Insurance		**88,822**		137,728
Communication		**64,368**		81,365
Gasoline and oil		**15,348**		17,853
Membership and subscription		**11,278**		189,465
Donations and gifts		**6,690**		33,638
Miscellaneous		**218,434**		353,073
	₱	**17,155,829**	₱	17,329,432

NOTE 21 - FINANCE COST

An analysis of the Company's finance costs are shown below:

		2017		2016
Corporate Lenders	₱	**12,783,932**	₱	15,190,440
Security Bank		**1,460,954**		374,062
Land Bank of the Philippines		**1,410,918**		1,491,719
Banco De Oro, Inc.		**1,344,182**		1,082,532
Development Bank of the Philippines		**630,411**		8,463
Small Business Guaranty & Fund Corp.		**72,329**		-
Metropolitan Bank and Trust Company		**4,103**		1,476,397
	₱	**17,706,829**	₱	19,623,613

NOTE 22 - IMPAIRMENT LOSS, EMPLOYEES BENEFITS AND DEPRECIATION

The following expenses were recognized as follows:

2017

	Direct expense	Operating expenses	Total
Impairment loss	₱ -	₱ 1,025,767	₱ 1,025,767
Employee benefits	5,153,184	7,402,652	12,555,836
Depreciation	1,130,069	-	1,130,069
	₱ 6,283,253	₱ 8,428,419	₱14,711,672

**Includes salaries, wages, statutory contributions and retirement benefits*

2016

	Direct expense	Operating expenses	Total
Impairment loss	₱ -	₱ 3,796,887	₱ 3,796,887
Employee benefits*	6,820,884	3,152,855	9,973,739
Depreciation	1,466,573	-	1,466,573
	₱ 8,287,457	₱ 6,949,742	₱15,237,199

**Includes salaries, wages, statutory contributions and retirement benefits*

NOTE 23 - IMPAIRMENT LOSS

Impairment loss on loan receivables charged to operating expense in the statement of comprehensive income amounts to ₱ 1,025,767 and ₱ 3,796,887 for the year ending December 31, 2017 and 2016, respectively.

NOTE 24 - EMPLOYEE'S COMPENSATION AND OTHER BENEFITS

Aggregate employee benefits expense comprised:

	2017	2016
Short-term benefits	**₱ 11,324,776**	₱ 8,748,675
SSS/PHIC/HDMF Contribution	**566,654**	617,452
Retirement expense	**664,406**	607,612
	₱ 12,555,836	₱ 9,973,739

These are charged in the Statement of Comprehensive income under direct cost amounting to ₱5,153,184 and ₱ 6,820,884 in 2017 and 2016 respectively, Operating expense amounting to ₱7,402,651 and ₱ 2,952,855 in 2017 and 2016 respectively.

NOTE 25 - LEASE AGREEMENTS

Company as lessee

The Company entered into lease agreements as follows:

a. With BNM7210 Group Corp. for an office space in Cebu City. The lease term is for a period of three (3) years commencing on February 15, 2015 to February 14, 2018, renewable by the agreement of both parties in writing. The Company has determined that all significant risks and rewards of ownership of the property remain with the lessor.
b. With Mountainview Leasing and Management Corporation for an office space in Pasig City. The lease term is for a period of one (1) year commencing on June 1, 2017 to May 31, 2018, renewable provided that the Company shall give a written notice of its intention to renew the contract within sixty (60) days prior to the end of the contract. The Company has determined that all significant risks and rewards of ownership of the property remain with the lessor. The Company has determined that all significant risks and rewards of ownership of the property remain with the lessor.

c. With Pine Valley Corporation for an office space in Baguio City. The lease term is for a period of one (1) year commencing on April 15, 2017 to April 14, 2018, renewable by the agreement of both parties in writing. The Company has determined that all significant risks and rewards of ownership of the property remain with the lessor. The Company has determined that all significant risks and rewards of ownership of the property remain with the lessor.

The agreements provides for payment of rental deposits which are recognized in the statements of financial position, as part of other non-current assets. The balance of the rental deposit amounted to ₱ 342,727 and ₱ 222,027 as at December 31, 2017 and 2016 as disclosed in Note 13.

Rent expense pertaining to this leased property amounted to ₱ 1,498,003 and ₱ 1,500,221 for the year ended December 31, 2017 and 2016, respectively and was included as part of direct cost under the statement of comprehensive income.

Future minimum lease payments under such operating lease are as follows:

		2017		2016
Not later than one year	₱	**373,689**	₱	296,121
Later than one year and not later than five years		**-**		543,690
Later than five years		**-**		-

NOTE 26 - OTHER INCOME (LOSS)

The Company's other income consist of:

		2017		2016
Interest income on bank deposits	₱	**1,468,448**	₱	1,910,791
Unrealized loss on translation of investment and loans payable, net		**(5,416,836)**		(1,552,113)
Realized gain (loss) on settlement of loans, net		**3,015,777**		(1,331,600)
Miscellaneous income		**1,650,553**		153,900
	₱	**717,942**	₱	(819,022)

NOTE 27 - INCOME TAXES

The company's income tax obligation is computed based on regular income tax of 30% or minimum corporate income tax of 2% of the gross margin whichever is higher.

Income tax expense for the years ended December 31 consists of:

		2017		2016
Current	₱	**(4,115,983)**	₱	(3,437,077)
Deferred		**4,234,803**		3,640,434
	₱	**118,820**	₱	203,357

The reconciliation of income tax expense computed at the statutory tax rate to the provision for income tax presented in the statements of comprehensive income for 2017 and 2016 are as follows:

Regular Corporate Income Tax

		2017		2016
Income tax at statutory rate	₱	**377,633**	₱	540,135
Tax effect of income subject to final tax		**(440,534)**		(573,238)
Tax effect of non-deductible expense		**181,721**		236,460
Taxable due	₱	**118,820**	₱	203,357

		2017		2016
Gross Income	₱	**17,696,665**	₱	19,948,903
Add: Other income		**1,650,553**		153,900
Arbitrage		**605,735**		788,202

Total Gross Income		**19,952,953**		20,891,005
MCIT Rate		**2%**		2%
	₱	**399,059**	₱	417,820

Net prepaid income tax after applicable excess tax credits and quarterly income tax payment as follows:

		2017		2016
Tax due *(RCIT or MCIT whichever is higher)*	₱	**399,059**	₱	417,820
Income taxes paid for first 3 quarters		**-**		2,655,413
Prior year excess credit		**2,237,593**		-
Prepaid income tax	₱	**(1,838,534)**	₱	(2,237,593)

Components of deferred taxes recognized by the Company are as follows:

		2017		2016
Allowance for loans losses	₱	**3,076,018**	₱	9,135,195
Retirement liability		**948,342**		749,020
Excess MCIT over RCIT		**816,879**		417,820
NOLCO		**7,553,060**		3,437,077
Unrealized forex loss		**2,058,359**		433,308
	₱	**14,452,658**	₱	14,172,420

An analysis of DTA is as follows:

		2017		2016
DTA at beginning of year:	₱	**14,172,420**	₱	13,957,958
Add: DTA arising from MCIT		**399,059**		417,820
DTA arising from retirement expense		**199,322**		182,284
DTA arising from NOLCO		**4,115,983**		3,437,077
DTA arising from unrealized forex loss		**1,625,051**		465,632
DTA arising from allowance for loan losses		**307,730**		1,139,066
Less: Reversal of DTA from write off		**(6,366,907)**		(5,427,417)
DTA at end of year	₱	**14,452,658**	₱	14,172,420

The presentation of deferred tax expense is as follows:

		2017		2016
Through profit or loss	₱	**14,779,309**	₱	14,152,578
Through other comprehensive income		**-**		-
	₱	**14,779,309**	₱	14,152,578

Expiration details of MCIT and NOLCO is as follows:

Year Incurred	Date of Expiration		MCIT		NOLCO
2016	December 31, 2019	₱	417,820	₱	3,437,077
2017	December 31, 2020		399,059		4,155,983
		₱	816,879	₱	7,593,060

NOTE 28 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A summary of the transactions and account balances with related parties follows:

2017

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding Balance Due from related parties	Outstanding Balance Due to related parties	Terms	Conditions
Shareholders	Advances	₱ 1,221,938	₱ 1,221,938	-	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured
	Advances	2,558,500	-	2,558,500		
Meso impact Finance/VSI	Advances	13,002,205	13,002,205	-	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured
	Advances	30,399,267	-	69,080,240		
Due from VSI	Advances	4,000	14,051,824	-	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured

2016

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding Balance Due from related parties	Outstanding Balance Due to related parties	Terms	Conditions
Meso impact Finance/VSI	Advances	₱ 38,680,973		₱ 38,680,973	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured
	Payment	4,180,000		-		
Due from VSI	Advances	14,047,824	14,047,824	-	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured

Related party transaction consists mainly of Due from Venture South International and Due to Meso Impact, Company's major shareholders. These are non-interest bearing advances with no collateral, payable in cash and no repayment term.

Key Management Compensation

Key management includes the board of directors, all members of management and other Company officers. Details of key management compensation follow:

	2017	2016
Salaries and wages	₱ **3,552,224**	₱ 1,498,954
Retirement expense	**-**	400,000
Directors' fees	**91,219**	206,926
	₱ **3,643,443**	₱ 2,105,880

NOTE 29 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign Currency Risk

The Company's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar and Euro with respect to US dollar and Euro-denominated financial assets and liabilities.

The Company's transactional currency exposures arise from dollar denominated short term investment and Dollar and Euro denominated loans against the Company's functional currency. The Company periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its US dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its US dollar-denominated time deposits in times when the Philippine peso is appreciating. The following table shows the Company's US dollar and Euro-denominated monetary financial assets and liabilities:

	2017			2016		
	US Dollar	**Euro €**	**Peso**	US Dollar	Euro €	Peso
Financial Asset						
Short term investment	**$ 2,331,193**	**€ 1,000,738**	**₱176,037,124**	-	-	-
Long term investment	-	-	-	$2,604,938	€1,163,971	₱238,192,209
Financial liabilities at amortized cost:						
Loans payable	**$ 1,674,209**	**€ 2,088,987**	**₱ 335,739,970**	$2,393,411	€1,466,000	₱421,383,428
Net financial asset (liabilities)	**$ 656,984**	**(€1,088,249)**	**(₱159,702,846)**	$ 211,527	(€ 302,029)	(₱183,191,219)

For purposes of restating the outstanding balance of the Company's foreign currency-denominated financial asset and liabilities as at December 31, 2017 and 2016, the exchange rate applied is ₱ 49.923 and ₱ 49.813 per US$, respectively and ₱ 59.613 and ₱ 51.840 per Euro, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2017 and 2016 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate, net	Effect on Income before Tax
December 31, 2017	**+7.883**	**₱3,399,662**
	-7.883	**(3,399,662)**
December 31, 2016	+2.746	₱248,519
	-2.746	(248,519)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The profitability of the Company may be influenced by the changes in the level of interest rates. In the event that interest rates go up significantly, less clients will be inclined to avail of a loan. The Company funds its loan operation through combination of the operational cash flow and borrowing from funders abroad and local banks. Any increase in interest rates will cause the Company to incur more expense for every peso they earn an interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Company ensures that all interest bearing loans and borrowings are either short term or made at a fixed rate of interest.

Credit Risk

Credit Risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily through its cash and loans receivables. The Company has in place the business credit policy and procedures regarding loan activities from credit initiation approval, documentation, disbursement and loan administration.

The Company's credit risk is primarily attributable to its loans receivables. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy, setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment. All of the Company's financial assets are current.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. The amounts presented in the statements of financial position are net of allowances for credit losses, estimated by the Company's management with the consideration the implementing rules and regulation under section 9(f) of Republic Act No. 8556.
The Company also focuses on markets and borrowers that have a relatively better capability to repay the loans. Despite the system and checks in place for the Company, there is no guarantee that any of its existing and future clients will default on a loan. An increase in loan defaults will have effect on the Company's profitability.

It is the Company's policy to dispose of repossessed properties in an orderly approach and proceeds are used to repay or reduce the outstanding claim.

The table below presents the company's maximum exposure to credit risk:

	2017	2016
Cash in bank	**₱ 39,362,128**	₱ 74,345,485
Loans receivables	**194,777,761**	163,889,177
Other receivables	**1,820,205**	147,901
Due from related parties	**28,275,967**	14,047,821
Short term investment	**176,037,124**	-
Long term investment	**-**	238,192,209
Refundable deposit	**755,680**	470,816
	₱ 441,028,865	₱ 491,093,409

As at December 31, 2017 and 2016, the aging analysis of the Company's financial assets is as follows:

2017

	Neither past due nor impaired	Past due account but not impaired				Impaired financial assets	Total
		0-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due		
Cash	₱ 39,362,128	-	₱ -	₱ -	₱ -	₱ -	₱ 39,362,128
Loans Receivable	125,002,197	8,127,318	8,417,924	5,788,486	57,695,233	(10,253,397)	194,777,761
Other receivables	1,820,205	-	-	-	-	-	1,820,205
Due from related parties	28,275,967	-	-	-	-	-	28,275,967
Short term investment	176,037,124	-	-	-	-	-	176,037,124
Refundable Deposit	755,680	-	-	-	-	-	755,680
	₱ 371,253,301	₱ 8,127,318	₱ 8,417,924	₱ 5,788,486	₱ 57,695,233	(10,253,397)	₱ 441,028,865

2016

	Neither past due nor impaired	Past due account but not impaired				Impaired financial assets	Total
		0-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due		
Cash	₱ 74,345,485	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 74,345,485
Loans Receivable	68,494,132	25,833,588	15,944,782	11,947,632	72,119,692	(30,450,649)	163,889,177
Other receivables	147,901	-	-	-	-	-	147,901
Due from related parties	14,047,821	-	-	-	-	-	14,047,821
Long term investment	238,192,209	-	-	-	-	-	238,192,209
Refundable Deposit	470,816	-	-	-	-	-	470,816
	₱ 395,698,364	₱ 25,833,588	₱ 15,944,782	₱ 11,947,632	₱ 72,119,692	(30,450,649)	₱ 491,093,409

Management believes that there is no change in the credit quality of financial assets from the date credit was initially granted up to the end of each reporting period.

The following table details the credit quality of the company's neither past due nor impaired financial assets:

2017

	Neither past due nor impaired				
	High grade	Satisfactory grade	Acceptable grade	Low grade	Total
Cash	₱ 39,362,128	₱ -	₱ -	₱ -	₱ 39,362,128
Loans receivable	-	125,002,197	-	-	125,002,197
Other receivables	1,820,205	-	-	-	1,820,205
Due from related parties	28,275,967	-	-	-	28,275,967
Short term investment	176,037,124	-	-	-	176,037,124
Refundable deposit	755,680	-	-	-	755,680
	₱ 246,251,104	₱ 125,002,197	-	-	₱ 371,253,301

2016

	Neither past due nor impaired				
	High grade	Satisfactory grade	Acceptable grade	Low grade	Total
Cash	₱ 74,345,485	₱ -	₱ -	₱ -	₱ 74,345,485
Loans receivable	-	68,494,132	-	-	68,494,131
Other receivables	147,901	-	-	-	147,901
Due from related parties	14,047,821	-	-	-	14,047,821
Long term investment	238,192,209	-	-	-	238,192,209
Refundable deposit	470,816	-	-	-	470,816
	₱ 327,204,232	₱ 68,494,132	-	-	₱ 395,698,363

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

High grade – applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the company has excellent repayment experience.

Satisfactory grade – applies to financial assets that are performing as expected, including loans and advances to small and medium sized entities and recently established businesses.

Acceptable grade – applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

Low grade – applies to risks that are neither past due nor expected to result in loss but where the company requires a workout of the relationship unless an early reduction in risk is achievable

Liquidity Risk

This is the risk that the company will ĕncounter difficulty in meeting financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The following table presents the maturity profile of the Company's financial liabilities as at December 31, 2017 and 2016 based on contractual undiscounted payments.

	December 31, 2017						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Total
Trade and other payable*	**₱ 2,054,260**	-	-	-	-	-	**₱ 2,054,260**
Loans payable	**335,739,970**	-	-	-	-	-	**335,739,970**
	₱337,914,297	-	-	-	-	-	**₱337,914,297**

	December 31, 2016						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Total
Trade and other payable*	₱ 2,870,203	-	-	-	-	-	₱ 2,870,203
Loans payable	292,654,688	128,728,740	-	-	-	-	421,383,428
	₱296,229,956	128,728,740	-	-	-	-	₱424,253,631

** Amounts are exclusive of nonfinancial liabilities amounting to ₱ 1,472,956 and ₱1,202,481 as at December 31, 2017 and 2016, respectively.*

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As a part of liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The table presents the Company's current ratio.

	2017	2016
Total current assets	₱ 442,196,572	₱ 254,846,018
Total current liabilities	410,860,926	375,908,345
Current ratio	1.08:1	0.68:1

Based on the above ratios, the Company is liquid and would be able to settle obligations as they fall due, provided that receivables could be collected on a timely basis. The company has sufficient cash in bank to cover the payment of its current liabilities.

Capital Management

The Company's objectives when managing capital are to increase the value of the shareholders' investment. It sets strategies with the objective of establishing a resourceful financial management structure.

Management sees to it that equity is closely monitored in proportion to risk. Total equity comprises all components of equity including share capital and accumulated earnings of the Company.

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total liabilities divided by total equity.

	2017	2016
Total current liabilities	₱ 410,860,926	₱ 375,908,345
Total non-current liabilities	3,161,139	90,725,473
Total liabilities (a)	414,022,065	466,633,818
Total equity (b)	54,859,009	53,719,051
Debt-to-equity ratio (a/b)	7.55:1	8.69:1

The Company is subject to externally imposed capital requirement. Financing companies registered under Republic Act No. 8556 are required to have a minimum paid up capital of ₱ 10 million and are required to put up additional capital requirement for each branch of ₱ 1.00 Million for branches established in Metro Manila, ₱ 0.50 Million for branches established in other classes of cities and ₱ 0.25 Million for branches established in municipalities. For the years ended December 31, 2017 and 2016, the Company was in compliance with the minimum paid-up capital.

Fair Value of Financial Instruments

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2017			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash	6	39,402,128	-	39,402,128	-
Loans receivable	7	194,777,761	-	194,777,761	-

			2017		
			Fair Value		
	Note	**Carrying Amount**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Short term investment	8	**176,037,124**	**-**	**176,037,124**	**-**
Due from related parties	9	**28,275,967**	**-**	**28,275,967**	**-**
Refundable deposit	9	**755,680**	**-**	**755,680**	**-**
Investment property	11	**10,046,069**	**-**	**-**	**10,046,069**
		449,294,729	**-**	**439,248,660**	**10,046,069**
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	14	**3,482,216**	**-**	**3,482,216**	**-**
Due to related parties	28	**71,638,740**	**-**	**71,638,740**	**-**
Loans payable	15	**335,739,970**	**-**	**335,739,970**	**-**
		410,860,926	**-**	**410,860,926**	**-**

			2016		
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash	6	74,375,485	-	74,375,485	-
Loans receivable	7	163,889,177	-	163,889,177	-
Long term investment	8	238,192,209	-	238,192,209	-
Due from related parties	9	14,047,824	-	14,047,824	-
Refundable deposit	9	470,816	-	470,816	-
Investment property	11	9,846,069	-	-	9,846,069
		500,821,580	-	490,975,511	9,846,069
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	14	4,072,684	-	4,072,684	-
Advances from shareholders	28	38,680,973	-	38,680,973	-
Loans payable	15	422,088,493	-	422,088,493	-
		464,842,150	-	464,842,150	-

The carrying amounts of cash, loans receivables, trade and other payables approximate their fair values due to their short-term maturities. Level 3 inputs are used in determining the fair value of investment property.

NOTE 30 - BASIC QUANTITATIVE INDICATORS

The following are the basic quantitative indicators of financial performance of the Company.

Return on average equity

This ratio is computed by dividing the net profit by the average total capital accounts.

	2017	2016
Net profit	**₱ 1,139,958**	₱ 1,597,092
Average total capital accounts	**80,200,000**	76,200,000
	0.01:1	0.02:1

Return on average assets

This ratio is computed by dividing the net profit by the average assets.

		2017		2016
Net profit	₱	**1,139,958**	₱	1,597,092
Average Assets		**494,616,972**		430,585,393
		0.002:1		0.02:1

Net interest margin

This ratio is computed by dividing the net profit by the interest income.

		2017		2016
Net profit	₱	**1,139,958**	₱	1,597,092
Average interest earning assets		**179,333,469**		148,089,463
		0.01:1		0.01:1

NOTE 31 - SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE AMENDED SRC RULE 68

Ratio or percentage to total estate investment to total assets

		2017		2016
Total estate investment	₱	**-**	₱	-
Total assets		**468,881,074**		520,352,869
		-		-

Ratio or percentage to total receivables to total assets

		2017		2016
Total receivables	₱	**194,777,761**	₱	163,889,177
Total assets		**468,881,074**		520,352,869
		0.42:1		0.31:1

Total DOSRI receivables to net worth

		2017		2016
DOSRI receivables	₱	**28,275,967**	₱	14,047,824
Net worth		**54,859,009**		53,719,051
		0.52:1		0.26:1

FINANCIAL SOUNDNESS INDICATORS

Current / Liquidity ratio

Ratio of total loans receivables to net worth

		2017		2016
Total loans receivable	₱	**194,777,761**	₱	163,889,177
Total equity		**54,859,009**		53,719,051
		3.55:1		3.05:1

Based on the above rations, the Company is highly liquid and would be able to settle obligations as they fall due.

Solvency ratio

		2017		2016
Net profit after tax plus depreciation	₱	**2,270,027**	₱	3,063,665
Total liabilities		**414,022,065**		466,633,818
		0.01:1		0.01:1

Debt to equity ratio

		2017		2016
Total liabilities	₱	**414,022,065**	₱	466,633,818
Total equity		**54,859,009**		53,719,051
		7.55:1		8.69:1

Asset to equity ratio

		2017		2016
Total asset	₱	**468,881,074**	₱	520,352,869
Total equity		**54,859,009**		53,719,051
		8.55:1		9.69:1

Interest rate coverage ratio

		2017		2016
Income from loan	₱	**45,605,869**	₱	54,216,016
Average interest earning assets		**179,333,469**		148,089,4633
		0.25:1		0.37:1

Profitability ratio

a.) Profit margin ratio

		2017		2016
Net profit after tax	₱	**1,139,958**	₱	1,597,092
Net income before tax		**1,258,778**		1,800,449
		0.90:1		0.89:1

b.) Return on asset ratio

		2017		2016
Net profit after tax	₱	**1,139,958**	₱	1,597,092
Total assets		**468,881,074**		520,352,869
		0.002:1		0.003:1

c.) Return on net worth ratio

		2017		2016
Net profit after tax	₱	**1,139,958**	₱	1,597,092
Total equity		**54,859,009**		53,719,051
		0.02:1		0.03:1

NOTE 32 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE UNDER REVENUE REGULATION NO. 15-2010 AND 19-2011

The following information are presented for purposes of filing with the BIR and are not a required part of the basic financial statements.

REVENUE REGULATION 15-2010

Gross Receipts Tax

In lieu of the VAT, the Company is subject to the gross receipts tax (GRT) pursuant to Sections 121 and 122 of the Tax Code which is imposed on banks, non-bank financial intermediaries and financing companies. In 2017, the Company reported Gross Receipt Tax amounting to ₱ 1,561,259. The tax is levied on the Company's lending income which includes interest income and service income. The tax is computed at the prescribed rate of 5% and is presented as part of the "Taxes and Licenses" account under Operating Expense in the Statement of Comprehensive Income.

Taxes and Licenses for 2017

		Amount
Gross Receipts Tax	₱	1,561,259
Business permit and licenses		260,743
Documentary stamp tax		250,171
Others		37,515
	₱	2,109,688

Withholding Taxes for 2017

Withholding taxes paid and accrued for the year 2017 as follows:

		Amount
Withholding tax on compensation	₱	1,429,446
Withholding tax at source (expanded)		347,831
Withholding tax - final		671,654
	₱	2,448,931

Tax Assessments and Cases

The Company did not receive any Letter of Authority or Tax Verification Notice from the Bureau of Internal Revenue (BIR) during the period. It has no pending examination of prior years.

Revenue Regulation 19-2012

The information required by the above regulation, which became effective on December 9, 2011 is presented below:

Revenue for 2017

		Exempt		RCIT
Interest and finance fees	₱	-	₱	40,648,668
Processing fees on loans		-		3,213,401
Deferment fee income		-		1,743,800
	₱	-	₱	45,605,869

Other Income for 2017

		Exempt		RCIT
Interest income on bank deposits	₱	1,468,448	₱	-
Unrealized gain (loss) on translation of investment and loans payable, net		(5,416,836)		-
Realized gain (loss) on settlement of loans, net		-		3,015,777
Miscellaneous income		-		1,650,553
	₱	(3,948,388)	₱	4,666,330

Direct Costs for 2017

		Exempt		RCIT
Finance cost (Note 21)	₱	605,735	₱	17,101,094
Salaries, bonus and allowances (Note 24)		-		4,693,781
Rental		-		1,498,003
Depreciation (Note 22)		-		1,130,069
Transportation and travel		-		600,787
Finance service charge		-		576,789
HDMF, Philhealth and SSS contribution (Note 24)		-		459,403
Electricity and water		-		357,238
Communication		-		257,471
Office supplies		-		170,461
Repairs and maintenance		-		148,718
Insurance		-		138,927
Gasoline and oil		-		94,278
Representation and entertainment		-		76,450
	₱	605,735	₱	27,303,468

Itemized Deductions for 2017

		Exempt		RCIT
Salaries, bonus and allowances (Note 24)	₱	-	₱	6,630,995
Professional fee		-		2,891,742
Taxes and Licenses		-		2,109,688
Uniform, medical and etc.		-		1,125,868
Impairment loss (Note 7 and 23)		-		1,025,767
Consultancy fee		-		877,825
Retirement expense		664,406		-
Bank charges		-		465,571
Representation		-		313,771

Repair and maintenance		-		205,243
Advertising and promo		-		143,740
HDMF, Philhealth and SSS contribution (Note 24)		-		107,251
Transportation and travel		-		97,803
Honorarium/Director's fee		-		91,219
Insurance		-		88,822
Communication		-		64,368
Gasoline and oil		-		15,348
Membership and subscription		-		11,278
Donations and gifts		-		6,690
Miscellaneous		-		218,434
	₱	669,406	₱	16,491,423

NEGOSYONG PINOY (VENTURE SOUTH) FINANCE CORPORATION
SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2017

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✔		
PFRSs Practice Statement Management Commentary	✔		

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations			✔
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✔
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
	Amendment to PFRS 5: Changes in Methods of Disposal			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
	Amendment to PFRS 7: Servicing Contracts			✔

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✔
PFRS 8	Operating Segments			✔
	Amendments to PFRS 8: Aggregation of Operating Segments			✔
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✔
PFRS 9	Financial Instruments		✔	
PFRS 10	Consolidated Financial Statements			✔
	Amendments to PFRS 10: Transition Guidance			✔
	Amendments to PFRS 10: Investment Entities			✔
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 11: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
PFRS 12	Disclosure of Interests in Other Entities			✔
	Amendments to PFRS 12: Transition Guidance			✔
	Amendments to PFRS 12: Investment Entities			✔
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✔
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✔
PFRS 13	Fair Value Measurement	✔		
	Amendment to PFRS 13: Short-term receivables and Payables			✔
	Amendment to PFRS 13: Portfolio Exception			✔
PFRS 14	Regulatory Deferral Accounts			✔

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		
PAS 2	Inventories			✔
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7: Disclosure Initiative	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✔
PAS 16	Property, Plant and Equipment	✔		
	Amendment to PAS 16: Classification of Servicing Equipment	✔		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✔
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✔
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39: Financial Guarantee Contracts			✔
	Amendments to PAS 39: Reclassification of Financial Assets	✔		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔
PAS 40	Investment Property	✔		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✔
PAS 41	Agriculture			✔
	Amendment to PAS 41: Agriculture: Bearer Plants			✔

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✔
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✔
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔

PFRS	Title	Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔