107242018004351

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	AS92007059
Company Name	VANTAGE EQUITIES, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	107242018004351
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2018
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

SEC Registration Number

AS092-007059

Company Name

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

15th Floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	689-8090	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
617		

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Maribel Bere	maribel.bere@vantage.ph	620-2305	0917-865-7140

Contact Person's Address

15TH Floor Phil. Stock Exchange, 5th Ave. cor 28th St. Bonifacio Global City, Taguig

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2018**

2. SEC Identification Number **AS-092-007059**

3. BIR Tax Identification No**.** **002-010-620**

4. Exact name of registrant as specified in its charter.
VANTAGE EQUITIES, INC.

5. Province, Country or other jurisdiction of Incorporation or Organization:
Philippines

6. [ ] (SEC Use Only)
Industry Classification Code

Address of Principal Office:
15TH Floor Phil. Stock Exchange, 5th Ave. cor 28th St. Bonifacio Global City, Taguig

7. Registrant's telephone number, including area code: **(632) 620-2305**

8. Former name, former address, and former fiscal year, if changed since last report
Not applicable

9. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	**4,199,582,266**

10. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [] No [**X**]

11. Check whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [] No [**X**]

b) has been subject to such filing requirements for the past 90 days.
Yes [ ] No [**X**]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Consolidated Financial Statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis or Plan of Operations

Financial Highlights

		Unaudited	Audited	
In Millions (PhP)		30-Jun-18	31-Dec-17	31-Dec-16
Balance Sheet				
	Assets	**9,431**	12,692	9,119
	Liabilities	**405**	3,464	989
	Stockholders' Equity	**9,026**	9,228	8,130
	Book Value per Share	**2.1492**	2.1973	1.9361
Income Statement				
	Revenues	**48**	1,263	912
	Expenses	**268**	558	560
	Other Income / (Charg	**18**	1	-98
	Net Income	**-202**	706	254
	Earnings per Share	**-0.0562**	0.1558	0.0473

Results of Operations for the Quarter Ended June 30, 2018

The Company posted a consolidated net loss of ₱202 million as of the second quarter of 2018 lower by 143% compared to same period last year of net income of ₱472million. On a per share basis, the company incurred P 0.05 centavos loss compared to an earning of P0.10 centavos for the 2Q of 2017..

Volatility in markets take center stage as President Trump ignites a trade war between the US and China, with the global economy as collateral damage. Trump also pushes through on his threats to put tariffs on Canada and the EU on aluminum and steel. While a trade war is brewing, North Korea and South Korea are meeting to finally end their decades old war. Here in the Philippines, markets are also worried about runaway inflation after we started to see the full effects of the TRAIN law. It didn't help that BSP stubbornly refused to act while inflation pressures continued to boil up and maintained that they see the inflation rise as temporary. The BSP also surprises the market by going the opposite way and cutting the reserve requirement by 1bp, pushing more liquidity into the market. The S&P though raises PH outlook to positive, citing improving country fundamentals. Thus due to the looming trade war, equities in the 2Q were volatile and we saw continuous foreign fund outflow from emerging markets, with the Philippines particularly hit hard. We saw the effects of these outflows and inflation expectations manifest in the PHP as well, with USDPHP hitting a high of 53.50 where BSP started protecting aggressively. For the 2Q, EM was hardest hit, with US markets being fairly resilient. The S&P and MSCI World Index recorded returns of 5.29% and 2.49% respectively. Meanwhile the PCOMP registered -10.52% in the same time period. Finally the Vantage equity portfolio returned -10.06%, slightly outperforming the benchmark.

In fixed income, emerging market bonds roughly followed the risk off sentiment worldwide. Fed minutes showed that the US is willing to let inflation run above 2% to ensure their economic recovery is alive and well. 10y UST hits above 3% before the markets got a shock that elections in Italy may lead to the nation leaving the EU. 10y USTs fall to 2.77 because of this fear but after the risk was resolved, yields normalized until Trump doubled down on trade war fears. Ultimately the 10y UST leveled off at around 2.90. Oil though has reached $70/bbl which again hurts the Philippines and heightens inflation pressures. With inflation expectations in the PH becoming unhinged, we saw GS yields rise. The benchmark 5yr bond rose 40bp to 5.60%. BSP finally raises rates by 25bp in April and again in May but inflation continues to rise with no signs of peaking yet. For the 2Q, the 10y UST rose 13bp while our own closest jumbo bond 10-60 (7 years) rose 65bp. The Vantage fixed income portfolio gained 0.67% for the 2Q.

The following summarizes the operating results of the Company's subsidiaries:

eBusiness Services, Inc. ("eBiz")

In 2Q 2018, eBiz achieved Money Transfer volume of over 2.9 million transactions worth in excess of USD 640 million, or an increase of 5.43% versus USD 607 million in 2Q 2017. Revenue from Money Transfer also increased by 7.37% Y/Y to PHP 257.8 million attributed to the growth in Remittance Principal and fx share differential . Other sources of revenue are the operations from Foreign Exchange and Ancillary Products. Revenue for this grew by 21.02% Y/Y to PHP 61.9 million in 2Q 2018 from PHP 51.1 million in 2Q 2017. Meanwhile, the Company's operating expenses increased by 3.05% Y/Y to PHP 167.08 million from PHP 162.14 million in 2Q 2017. With this, operating income still went up by 23.68% to P88.9 million Y/Y. After provisions and taxes, eBiz posted a net income of PHP 60.64 million in 2Q 2018, up by 17.5% from PHP 51.6 million in 2Q 2017.

Philequity Management, Inc. ("PEMI")

For the second quarter of 2018, PEMI registered net sales amounting to P393 million. Subscriptions amounted to P1.24 billion, a 28% increase quarter on quarter and a turn to positive from -P467 million for the same period a year ago. Redemptions meanwhile amounted to P848 million from P785 million last quarter and P1.24 billion a year ago. Redemptions were generally market driven as the Philippine Stock Exchange Index continued to fall from the all-time high of 9,058.62 on January 29 to 7,193.68 on June 29. The 9 year bull market took a dip to bear territory after falling as much as 23% from the peak. Assets under management decreased by 1% to P18.98 billion from a year ago as marked to market valuations decreased. We expect slower subscriptions next quarter as volatility in capital markets ensues.

Key Performance Indicators

The Company sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators.

	30-Jun-18	31-Dec-17
Current Ratio[1]	**2366.84%**	**260.55%**
Assets to Equity[2]	**104.49%**	**137.54%**
Liabilities to Equity[3]	**4.49%**	**37.54%**
Return on Average Assets[4]	**-1.82%**	**6.47%**
Return on Average Equity[5]	**-2.21%**	**8.13%**

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

	Formula
1	Current Assets / Current Liabilities
2	Total Assets / Total Equity
3	Total Liabilities / Total Equity
4	Net Income / Average Total Assets
5	Net Income / Average Total Equity

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – three month period ending 30-June -2018 versus 30-June-2017

23.76% increase in money changing and foreign exchange
Brought by gains earned from foreign exchange transactions

64.43% increase in interest income
Effect of higher investment in money market placements and higher investment in debt securities

213.69% decrease in trading gain
Due to continued decrease of market value of investment holdings

31.3 % increase in other revenues
Earned lesser dividends as a result of decrease in equity investments on companies which declared dividends during the quarter

23.84% increase in cost of services and sales
From increase in commission of distributors .

20.67 % decrease in depreciation and amortization
Most fixed assets are fully depreciated

263.06% increase in interest and bank charges
Higher loans during the quarter

46.9% increase in other charges
Largely from revaluation gain on forward transactions of the Parent.

Balance Sheet items – June, 2018 versus end 2017

8.46% decrease in cash and cash equivalents
Primarily from lower MMP as of reporting date versus last year

97.52% increase in loans and receivables
Primarily due to higher receivable from Western Union and outstanding receivable from redemption of mutual fund shares. These were collected the following month

7.96% increase in financial assets at FVPL
Chiefly from reclassification in 2018 of previously AFS investments to FVPL

113.92% increase in prepaid expenses and other current assets
Largely from prepaid taxes and creditable withholding taxes.

100% decrease in available-for –sale investments
Chiefly from reclassification in 2018 of previously AFS investments to FVPL

37.66% decrease in accounts payable and other current liabilities
Mostly from lesser payable to sub-agents and settlement of 2017 liabilities

8.91%decrease in income tax payable
Higher 2017 income tax due

100% decrease in notes payable
From loans in 2017 settled in 2018

PART II – OTHER INFORMATION

<u>PFRS 9 – Financial Instruments: Recognition and Measurement</u>

In 2017, the Fund performed its initial impact assessment of PFRS 9. The assessment was based on information available during the preparation of its 2017 annual financial reporting.

The implementation of PFRS 9 this 2018 resulted to a P1.2B impact on the Group's retained earnings as a result of reclassifying its investments from AFS to FVTPL considering that these financial instruments satisfy the criteria of FVTPL business model.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Pasig on JUL 2 3 2018.

VANTAGE EQUITIES, INC.
Issuer

By:

VALENTINO C. SY
Chairman & CEO

EDMUNDO MARCO P. BUNYI JR.
[1]President and COO

MARIBEL E. BERE
Associate Director for Accounting, Controllership and Payroll Services

ATTY.ANN MARGARET K. LORENZO
Asst. Corporate Secretary

---

[1] *equivalent to Principal Executive Officer / Principal Operating Officer*

ACKNOWLEDGEMENT

REPUBLIC OF THE
PHILIPPINES) ~~CITY~~ PASIG CITY)
S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction, this _ day of JUL 2 3 2018
2018, personally appeared:

Name	CTC No.	Date/Place Issued	TIN No.
VALENTINO C. SY	07850504	January 15, 2018/Pasig City	122-335-536
EDMUNDO MARCO P. BUNYI JR.	09951429	January 10, 2018/Manila	107-184-956
MARIBEL E. BERE	07850503	January 15, 2018/Pasig City	115-253-743
ATTY. ANN MARGARET LORENZO	09951402	January 05, 2018/Manila	274-323-370

Known to me and by me known to be the same person who executed the foregoing document consisting of two pages including this page where this acknowledgement is written and acknowledged to me that the same is his own free and voluntary act and deed.

Witness my hand and notarial seal on the date and at the place first above written.

Doc. No. 298;
Page No. 61;
Book No. CCIX;
Series of 2018.

ATTY. EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2018
PTR NO. 3826099 / 1-03-18
IBP NO 019004 / 12-19-17 / UNTIL 2018
ROLL NO. 26683
TIN NO. 210-588-191-000
MCLE V-0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO PASIG CITY

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited June 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**5,543,302,799**	6,055,712,646
Loans and Receivables – net (Note 8)	**1,116,448,638**	565,227,210
Financial Assets at Fair Value through profit or loss (FVPL) (Note 9)	**2,543,510,755**	2,355,945,567
Prepaid expenses and other current assets (Note 11)	**19,698,145**	9,207,992
Total Current Assets	**9,222,960,337**	8,986,093,415
Noncurrent Assets		
Available-for-sale investments (Note 10)	**-**	3,519,658,009
Investment in associates & JV– net	**119,228**	119,228
Amortized Cost	**22,813,450**	-
Property and equipment – net (Note 12)	**141,891,867**	142,231,869
Retirement Asset	**1,887,460**	1,887,460
Other noncurrent assets - net (Note 13)	**41,090,599**	41,706,408
Total Noncurrent Assets	**207,802,604**	3,705,602,974
	9,430,762,941	12,691,696,389
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	**352,299,471**	565,127,141
Notes Payable	**-**	2,842,700,000
Income tax payable	**37,374,950**	41,031,028
Total Current Liabilities	**389,674,421**	3,448,858,169
Noncurrent Liabilities		
Deferred tax liabilities	**9,010,524**	9,010,525
Retirement Liabilities	**6,233,137**	6,208,505
Other noncurrent liabilities		-
Total Noncurrent Liabilities	**15,243,661**	15,219,030
	404,918,082	3,464,077,199
Stockholders' Equity		
Equity attributable to equity holders of the parent:		
Capital stock – ₱1 par value		
Authorized – 5,000,000,000		
Issued – 4,335,181,766	**4,335,181,766**	4,335,181,766
Stock Issuance Cost of a subsidiary		
Cumulative net unrealized gain on change in fair value of available-for-sale investments	**-**	1,188,837,181
Retained earnings	**4,539,658,425**	3,586,714,720
Remeasurement gains on retirement plan	**3,282,821**	3,282,821
Treasury Stocks	**(190,460,934)**	(190,460,934)
	8,687,662,078	8,923,555,554
Minority Interest	**338,182,781**	304,063,636
Total Equity	**9,025,844,859**	9,227,619,190
	9,430,762,941	12,691,696,389

See accompanying Notes to Financial Statements

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
REVENUES				
Money transfer service	**156,555,493**	156,904,017	**79,681,758**	78,835,112
Money changing and foreign exchange	**98,239,854**	79,377,332	**85,373,268**	40,899,242
Interest income	**71,179,528**	43,289,299	**29,892,067**	23,416,578
Trading Gain/Loss	**(427,658,657)**	376,176,488	**(215,502,230)**	169,204,964
Income from Mutual Fund	**132,685,646**	127,358,044	**63,730,928**	63,721,937
Others	**17,099,423**	24,888,480	**(31,050,189)**	16,900,360
	48,101,286	807,993,660	**12,125,602**	392,978,193
EXPENSES				
General and administrative expenses (Note 15)	**221,109,525**	217,296,000	**110,232,989**	108,077,194
Cost of services and sales	**39,327,982**	31,756,974	**18,345,687**	16,683,318
Depreciation and amortization	**7,503,477**	9,458,415	**3,680,591**	4,986,397
	267,940,983	258,511,389	**132,259,267**	129,746,909
INCOME FROM OPERATIONS	**(219,839,697)**	549,482,271	**(120,133,665)**	263,231,284
OTHER INCOME (CHARGES)				
Interest and bank charges – net	**(6,051,583)**	(1,666,837)	**(1,024,005)**	-
Others	**85,093,344**	(12,922,239)	**97,496,205**	(4,479,269)
	79,041,761	(14,589,075)	**96,472,200**	(4,479,269)
INCOME BEFORE EXTRA-ORDINARY Income/Expense	**(140,797,936)**	534,893,195	**(23,661,465)**	258,752,015
Extra-Ordinary Income/(Exp.)			**-**	-
Impairment Loss	**-**	-	**-**	-
INCOME BEFORE INCOME TAX	**(140,797,936)**	534,893,195	**(23,661,465)**	258,752,015

PROVISION FOR INCOME TAX				
Current	**60,996,783**	62,564,295	**26,735,016**	61,166,231
Deferred			**-**	-
	60,996,783	62,564,295	**26,735,016**	61,166,231
NET INCOME (LOSS)	**(201,794,719)**	472,328,900	**(50,396,481)**	197,585,784
Attributable to:				
Equity holders of the parent	**(235,913,866)**	447,099,455	**(66,785,629)**	191,519,393
Minority interests	**34,119,147**	25,229,445	**16,389,148**	6,066,391
	(201,794,719)	472,328,900	**(50,396,481)**	197,585,784
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent	**(0.0562)**	0.1065	**(0.0159)**	0.0456

See accompanying Notes to Financial Statements

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Period Ended (Unaudited)	
	June 30, 2018	June 30, 2017
CAPITAL STOCK - 1 par value		
Authorized - 5,000,000,000 shares		
Issued and outstanding - 4,199,582,266 shares		
Balance at beginning of year	**4,335,181,766**	4,335,181,766
Stock issuance cost of a subsidiary	**-**	-
Stock dividends issued	**-**	-
Balance at end of period	**4,335,181,766**	4,335,181,766
CUMULATIVE NET UNREALIZED GAIN ON CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES		
Balance at beginning of year	**1,188,837,181**	797,847,053
Reclassification of Financial Instruments (IFRS9)	**(1,188,837,181)**	
Unrealized Gain/(loss)		132,589,769
Balance at end of period	**-**	930,436,822
REMEASUREMENT GAINS (LOSSES) ON RETIREMENT PLAN		
Balance at beginning of year	**3,282,821**	3,432,897
Comprehensive income	**-**	-
Balance at end of period	**3,282,821**	3,432,897
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	**3,586,735,111**	2,932,458,683
Reclassification of Financial Instruments (IFRS9)	**1,188,837,180**	
Adjusted Beginning Balance	**4,775,572,291**	2,932,458,683
Net income (loss)	**(201,794,719)**	472,328,900
Share in Minority Interest	**(34,119,147)**	(25,229,445)
Stock Dividend		-
Balance at end of period	**4,539,658,425**	3,379,558,138
TREASURY SHARES (Note 17)	**(190,460,934)**	(190,460,934)
MINORITY INTEREST		
Balance at beginning of year	**304,063,635**	252,493,521
Deconsolidation of subsidiary	**-**	-
Total income and expenses recognized during the period	**34,119,147**	25,229,445
Balance at end of period	**338,182,781**	277,722,966
	9,025,844,859	8,735,871,655

See accompanying Notes to Financial Statements

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Period Ended (Unaudited)	
	6/30/2018	6/30/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Tax	**(140,797,939)**	534,893,195
Depreciation and amortization	**7,503,477**	9,458,415
Interest expense	**6,051,583**	1,666,837
Dividend income	-	(758,995)
Interest income	**(70,881,599)**	(42,498,659)
Operating income before working capital changes	**(198,124,479)**	502,760,792
Changes in operating assets and liabilities:	-	
Decrease (increase):	-	
Receivable	**(558,403,071)**	406,174,015
Prepaid expenses and other current assets	**3,289,370,407**	(302,784,006)
Increase (decrease) in accounts payable and other current liabilities	**(200,455,362)**	(67,922,707)
Net cash provided by (used for) operations	**2,332,387,495**	538,228,094
Interest paid	**(6,051,583)**	(1,666,837)
Income tax paid	**(64,652,862)**	(42,666,135)
Dividends received	-	429,391
Interest received	**75,093,488**	37,817,428
Net cash provided by (used in) operating activities	**2,336,776,538**	532,141,941
CASH FLOWS FROM INVESTING ACTIVITIES	-	
Decrease (increase) in:	-	
Property and equipment	**(6,486,385)**	(133,464,366)
Decrease (increase) in AFS/HTM	-	852,698,229
Increase (decrease) in net unrealized gain on AFS	-	133,060,060
Decrease (increase in) other assets	-	-
Net cash provided by (used in) investing activities	**(6,486,385)**	852,293,923
CASH FLOWS FROM FINANCING ACTIVITY	-	
Increase/(decrease) in loans	**(2,842,700,000)**	(584,095,000)
Cash used in financing activities	**(2,842,700,000)**	(584,095,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(512,409,847)**	800,340,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,055,712,646**	3,919,800,284
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,543,302,799**	**4,720,141,148**

VANTAGE EQUITIES, INC.
(Formerly iVantage Corporation)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **General Information**

Corporate Information
Vantage Equities, Inc. (the Parent Company) was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 1992. The primary business of the Company is to invest in, acquire by purchase, exchange, assignment or otherwise of the capital stock, bonds, debentures, promissory notes and similar financial instruments. The Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

On June 20, 2017, the Board of Directors (BOD) approved Article 3 of Articles of Incorporation to change its principal address from 2005 East Tower PSE Centre, Ortigas Center, Pasig City, Metro Manila, Philippines to 15th Floor Phil. Stock Exchange, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on October 26, 2017.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Group"):

	Place of	Percentage of Ownership		
Name of Subsidiaries	Incorporation	2018	2017	2016
Vantage Financial Corp. (formerly e-Business Services, Inc.)	Philippines	100.00	100.00	100.00
eBIZ Financial Services, Inc. (eBIZ Financial)*	Philippines	100.00	100.00	100.00
iCurrencies, Inc. (iCurrencies)	Philippines	100.00	100.00	100.00
Philequity Balanced Fund, Inc. (PBF)	Philippines	100.00	100.00	100.00
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)	Philippines	100.00	100.00	100.00
Philequity MSCI Philippines Index Fund, Inc.(PMIF)***	Philippines	100.00	100.00	–
Philequity Management, Inc. (PEMI)	Philippines	51.00	51.00	51.00
Yehey! Corporation (Yehey!)**	Philippines	–	–	–

**Indirectly owned through e-Business*
***Deconsolidated on October 31, 2015 (Note 12)*
**** Incorporated on December 15, 2017*

The Parent Company is the ultimate parent of the Group.

Vantage Financial Corporation
Vantage Financial Corporation (formerly e-Business Services, Inc.) is incorporated in the Philippines and is engaged in the fund transfer and remittance services, both domestic and abroad, of any form or kind of currencies or monies, as well as in conducting money exchange transactions as may be allowed by law and other allied activities relative thereto. E-Business has

an existing Representation Agreement (Agreement) with Western Union Financial Services, Inc. (Western Union) covering its fund transfer and remittance services for a period of seven years from September 1, 2007 to August 31, 2014 and was extended to December 20, 2022. E-Business receives remuneration for the services provided to Western Union in accordance with the terms stipulated in the Agreement.

In January 23, 2018, SEC approved the company's change of name from Ebusiness Services, Inc. to Vantage Financial Corporation.

eBiz Financial

eBiz Financial is wholly owned by e-Business. eBiz Financial was incorporated on April 11, 2005 and started commercial operations on May 9, 2005. eBiz Financial is engaged in general financing business. On April 7, 2015, eBiz Financial's Board of Directors (BOD) decided to shorten its term of existence until October 31, 2015. This was approved by the stockholders on August 1, 2015.

iCurrencies

iCurrencies, Inc. was incorporated on February 3, 2000 and started commercial operations on May 31, 2000. iCurrencies is organized primarily to engage in the business of buying and selling of foreign currencies.

In May 2001, iCurrencies effectively ceased its business of buying and selling currencies as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on October 26, 2000. Among others, the circular required additional documentation for sale of foreign currencies and required Foreign Exchange Corporations (FxCorps) to have a minimum paid-up capital of ₱50.00 million.

The Circular effectively aligned the regulations under which FxCorps are to operate to that of banks. To avoid duplication and direct competition with its previous major stockholder, iCurrencies ceased its business of buying and selling foreign currencies.

In the meantime, iCurrencies' income is derived from interest income on its bank deposits and short term deposits.

PBF

PBF was incorporated in the Philippines, and was registered with the SEC on May 6, 2008 under the Philippine Investment Company Act (ICA) (Republic Act 2629) as an open-end mutual fund company. PBF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of December 31, 2015, PBF has not yet launched its capital shares to the public. The initial investment amounted to ₱25.00 million.

On November 11, 2017, the Board of Directors (BOD) decided to shorten the corporate life of the Fund until December 31, 2017.

PFCFF

PFCFF was incorporated in the Philippines, and was registered with the SEC on April 10, 2008 under the Philippine ICA as an open-end mutual fund company. PFCFF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of December 31, 2015, PFCFF has not yet launched its capital shares to the public. The initial investment amounted to ₱25.00 million.

On November 11, 2017, the Board of Directors (BOD) decided to shorten the corporate life of the Fund until December 31, 2017.

PMIF

PMIF was incorporated in the Philippines, and was registered with the SEC on December 15, 2017 under the Philippine ICA as an open-end mutual fund company. PMIF is engaged to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, including all types of stocks, bonds, debentures, notes, mortgages, or other obligations, commercial papers, acceptances, scrip, investment contracts, voting trust, certificates, certificates of interest, and any receipts, warrants, certificates, or other instruments representing any other rights or interests therein, or in any property or assets created or issued by any all persons, firms, associations, corporations, organizations, government agencies or instrumentalities thereof; to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of, real properties of all kinds; and generally to carry on the business of an Open-End Investment Company in all the elements and details thereof as prescribed by law. As of December 31, 2017, PMIF has not yet launched its capital shares to the public. The initial investment amounted to ₱25.00 million.

PEMI

PEMI was incorporated in the Philippines on March 15, 1994 and is primarily engaged in the management of mutual funds.

PEMI serves as the fund manager of the following Mutual Funds (collectively referred to as “the Funds”):

- Philequity Fund, Inc. (PEFI)
- Philequity Dollar Income Fund, Inc. (PDIF)
- Philequity Peso Bond Fund, Inc. (PPBF)
- Philequity PSE Index Fund, Inc. (PPSE)
- Philequity Resource Fund, Inc. (PRF)
- Philequity Strategic Growth Fund, Inc. (PSGF)
- Philequity Balanced Fund, Inc. (PBF)
- Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)
- Philequity Dividend Yield Fund, Inc. (PDYF)
- Philequity MSCI Philippines Index Fund, Inc. (PMIF)

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments, which are measured at fair value. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest peso unit except when otherwise indicated.

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company and each of the subsidiaries is Philippine peso.

Statement of Compliance

The accompanying consolidated financial statements are prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The financial statements of the subsidiaries are prepared based on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income, expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other voting shareholders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

<u>Non-Controlling Interest</u>
Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company and are presented in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year, except for certain amended Philippine Accounting Standards (PAS) and PFRS, which were adopted as of January 1, 2015.

Adoption of the following amended standards did not have any impact on the accounting policies, financial position or performance of the Group:

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since it has noncontributory defined benefit plans.

Annual Improvements to PFRSs (2010-2012 cycle)

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or

business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Summary of Significant Accounting Policies

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine Dealing System (PDS) closing rate prevailing at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Fair Value Measurement
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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of equity and debt financial instruments that require delivery within the time frame established by regulation or convention in the market place are recognized on the trade date and settlement date, respectively. Deposits, loans and receivables, and accounts payable are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. As of March 31, 2016 and December 31, 2015, the Group does not have HTM investments.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under 'Miscellaneous expense' unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial instruments at FVPL

Financial instruments at FVPL include financial assets and financial liabilities that are:

- acquired and held for trading purposes;
- designated upon initial recognition as at FVPL; and
- stand-alone or bifurcated embedded derivative financial instruments not designated as effective hedging instruments.

Financial assets and financial liabilities are classified as held for trading if they are acquired for purposes of selling and repurchasing in the near term.

Financial assets and financial liabilities may be designated by management on initial recognition as at FVPL when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;

- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in 'Trading and investment securities gains - net' in the consolidated statement of income. Interest earned or incurred is recorded in 'Interest income' in the consolidated statement of income, respectively, while dividend income is recorded in 'Dividend income' in the consolidated statement of income when the right to receive payment has been established.

As of December 31, 2017, the Group's financial assets at FVPL consists of Unit Investment Trust Fund (UITF), foreign currency forward contracts and warrants. As of March 31, 2018 and December 31, 2017, the Group's financial assets at FVPL consists of foreign currency forward contracts and warrants.

Derivatives classified as FVPL
Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the profit or loss in the consolidated statement of comprehensive income under 'Trading and investment securities gains - net'.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
- the hybrid or combined instrument is not measured at fair value with fair value changes charged through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as 'AFS investments' or 'Financial assets designated at FVPL'.

After initial measurement, loans and receivables are subsequently measured at cost or amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the consolidated statement of income.

As of March 31, 2018 and December 31, 2017, loans and receivables consist of due from Western Union, due from broker, due from business partners, trade receivables, accrued interest receivable, receivable from related parties and employees and other receivables .

AFS investments
AFS investments are nonderivative financial assets which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market instruments and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from the reported earnings and are included in the consolidated statement of comprehensive income as 'Net changes in fair value of available-for-sale investments, net of tax'.

When the security is disposed of, the cumulative gain or loss previously recognized in the consolidated statement of comprehensive income is recognized in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported in the consolidated statement of income as 'Interest income' using the EIR. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of income as 'Dividend income' when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the consolidated statement of income and removed from 'Changes in fair values of AFS investments' in OCI.

The Group's AFS investment consists of investment in equity securities, debt securities, mutual funds and golf shares.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Accounts payable and other current liabilities', "Notes payable' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, accounts payable and similar financial liabilities not qualified as and not designated as FVPL, are subsequently measured at cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (where applicable, a part of a financial asset, or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, which includes cash and cash equivalents, loans and receivables and deposits lodged under 'other noncurrent assets', the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the consolidated statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and impairment losses' in the consolidated statement of income.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for such impairment. 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Beginning January 2018, the Group reclassified its AFS investments to FVPL resulting in an adjustment to retained earnings of P1.2 billion following implementation of PFRS 9

<u>Investment in an Associate</u>
Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investments in associates are accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any allowance for impairment losses. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. The Group's share in an associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

<u>Property and Equipment</u>
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the property and equipment to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

The cost of an item of property and equipment also includes costs of dismantlement, removal or restoration and the related obligation that the Group incurs at the end of the useful life of property and equipment.

Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the property and equipment as follows:

Office condominium	20 years
Furniture and fixtures	2-10 years
Office improvements	10 years
Transportation equipment	5 years
Server and network equipment	3 years
Leasehold improvements	5 years or term of lease, whichever period is shorter

The useful lives, residual values, and depreciation and amortization method are reviewed periodically to ensure that the periods, residual values, and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged to the consolidated statement of income.

When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation, amortization and any impairment in value are eliminated from the accounts and any resulting gain or loss is credited or charged to the consolidated statement of income.

Construction in progress represents properties under construction or development and is stated at cost. This includes costs of construction, equipment, borrowing costs directly attributable to such asset during the construction period and other direct costs. Construction in progress is not depreciated until such time when the relevant assets are substantially completed and available for its intended use.

Software and Website
Development costs of software and website included under “Other noncurrent assets” account in the consolidated statement of financial position are capitalized and treated as intangible assets because their costs are not an integral part of the related hardware. Amortization is computed using the straight-line method over their estimated useful life of 3 years for software and 2 years for website.

Impairment of Property and Equipment, Software and Website and Investment in an Associate
The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Goodwill</u>
Goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest in the collect and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the investment in PEMI, the cash-generating unit to which the goodwill relates. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the investment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects management's estimate of the risks specific to the investment.

Where the recoverable amount of the investment is less than the carrying amount of the investment, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

The Group performs its annual impairment test of goodwill at the consolidated statement of financial position date.

<u>Revenue Recognition</u>
The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sale taxes or duties.

The following specific recognition criteria must also be met before revenue is recognized:

Trading and investment securities gains - net
Trading and investment securities gains - net includes all gains and losses from changes in fair value of financial assets at FVPL, derivatives and gains and losses from disposal of AFS investments and financial assets at FVPL and other financial instruments. Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

Interest income
Interest income on interest-bearing placements is recorded on a time proportion basis taking into account the effective yield of the asset. Interest on financial instruments is recognized based on the effective interest method of accounting.

Dividend income
Dividend income is recognized when the right to receive payment is established.

Service income
Service income comprises PEMI's management and other related fees. Management fee is recognized as services are rendered and in accordance with the management and distribution agreement. The other fees such as commissions are recognized upon subscription and sale of the Funds' common shares.

Commission
This represents the commission received by the Group from Western Union. The Group receives commission from Western Union for every money transfer service provided by the former for the latter. Revenue is recognized when the money transfer service with the customer has been processed, which is when Western Union acknowledges the transaction.

Share in foreign exchange differential
Western Union establishes the rates (on a daily basis) by which the currency in which money transfer service transaction is originated (originating currency) is converted to the currency in which the transaction is paid (payment currency). A foreign exchange differential gain arises when the rate set by Western Union at the date of receipt of the cash at the originating currency is different from the rate set on the date of the actual release of the cash under the payment currency. Share from foreign exchange differential based on the percentage as agreed with Western Union is recognized when remittance service is rendered and the originating currency is converted to the payment currency.

Money changing gain
Money changing gain is related to the Group's retail foreign exchange operations in the branches. Funds received from the customers denominated in the originating currency are translated to the payment currency based on the exchange rate set by the Group. The difference from the specified exchange rate and the current Philippine Dealing and Exchange Corporation (PDEx) closing rate is recognized as money changing gain. Income from money changing is recognized when the money exchange service has been rendered.

Income from business partners
This represents fees received by the Group from partner companies for other retail services in the branches including over-the-counter payment collection and airline ticketing services. Income from business partners are recognized at the time the services are rendered.

Other revenues
Other revenues include web development and production, media sales, portal and E-commerce revenues and digital public relations (PR) and digital strategy revenues. Revenue from web development and production is recognized based on the percentage of completion method. The stage of completion is assessed by reference to the stage of completion of the development, including completion of services provided for post-delivery service support. Revenue from media sales, portal and E-commerce is recognized at the time that services are rendered. Revenue from PR and digital strategy is recognized when services are rendered in accordance with the provisions of the contracts.

Expense Recognition
Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of services and sales
Cost of services and sales, which include personnel costs and other expenses incidental to the Group's primary services, are expensed as incurred.

General and administrative expenses
General and administrative expenses, which include the cost of administering the business and are not directly associated with the generation of revenue, are expensed as incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are collectability as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest method in accordance with PAS 39.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the re-assessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the term of the lease agreement.

Retirement Costs
e-Business has a funded, noncontributory defined benefit retirement plan and the Parent Company, PEMI and Yehey! have unfunded, noncontributory defined benefit retirement plans covering substantially all of their regular employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise of the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when only when reimbursement is virtually certain.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of MCIT and NOLCO to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to ‘Capital paid-in excess of par value’ account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to ‘Capital paid-in excess of par value’ account. If the ‘Capital paid-in excess of par value’ is not sufficient, the excess is charged against the ‘Retained earnings’.

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company’s own equity instruments.

‘Retained earnings’ represents accumulated earnings of the Group less dividends declared.

Basic/Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of shares outstanding during the year with retroactive adjustments for any stock split and stock dividends declared.

Diluted EPS is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of March 31, 2016 and December 31, 2015, the Parent Company does not have dilutive potential common shares.

Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period
Any post year-end events after reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Events that are not adjusting events, if any, are disclosed in the notes to consolidated financial statements, when material.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD and shareholders of the Parent Company and its subsidiaries while stock dividends are deducted from retained earnings upon distribution. Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the reporting date.

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

segments is presented in Note 6. The Group's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have significant impact on its financial statements.

Deferred

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

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
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB deferred indefinitely the effective date of these amendments pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the consolidated financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

In 2017, the Group performed its initial impact assessment of all three phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it adopts PFRS 9 in 2018.

(a) Classification and measurement

Debt securities currently held as AFS investment under PAS 39, amounting to ₱193.52 million, are expected to be classified at fair value through other comprehensive income (FVOCI) as these are held both to collect contractual cash flows and to sell.

Quoted equity securities and mutual fund investments currently held as AFS, amounting to ₱1,059.87 million and ₱2,272.48 million, respectively, are to be measured at fair value through profit or loss.

(b) Impairment

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group is currently quantifying the impact of the change in measuring credit losses.

(c) Hedge accounting

The Group does not have any existing hedge relationships that are currently designated in effective hedging relationships under PAS 39.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The Group is still assessing the potential impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to
  retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is still assessing the potential impact of adopting PFRS 16 in 2018. The adoption may impact the operating lease agreements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a) *Determination of Functional Currency*
The Group has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Group operates and the currency that mainly influences the income and expenses.

b) *Operating Lease Commitments* - *Group as a Lessee*
The Group has entered into a lease for some of its office spaces and branches. The Group has determined that it has not acquired all the significant risks and rewards of ownership of the leased properties because of the following factors: (a) the Group will not acquire the ownership of the leased asset upon termination of the lease; (b) the Group has no option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option; and (c) the lease term is only for a period of one year, renewable annually. Accordingly, the Group accounts for the lease as operating leases.

c) *Assessment of control over investees*
The determination on whether the Parent Company has control over the investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee; (b) exposure, or right, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Parent Company has power over the investee, the Parent Company assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.

d) *Joint arrangements*
The Parent Company has investments in joint arrangements. The Parent Company has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreement for all relevant activities.

e) *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recognized or disclosed in the consolidated financial statements cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree ofjudgment is required in establishing fair values. The judgments include considerations of liquidity and identification of comparable investments and applicable credit spreads to arrive at adjusted quoted market prices.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in more detail in Note 5.

f) *Financial assets not quoted in an active market*
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

g) *Determination of whether the Group is acting as a principal or an agent*
The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the goods and services;
- whether the Group has inventory risk;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, revenue is recognized on a gross basis with the amount remitted to the other party being accounted for as part of costs and expenses. If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in some arrangements and as an agent in other arrangements.

h) *Revenue and cost recognition*
Selecting an appropriate revenue recognition method requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment: In determining whether the sales price are collectible, the Group considers the initial and continuing investments by the buyer to demonstrate the buyer's commitment to pay; and
- stage of completion of the project: The Group recognizes only revenue from projects that are substantially complete.

The Group's revenue from and cost from web development services are recognized based on the percentage-of-completion method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project.

Estimates

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

a) *Fair value of financial instruments*
PFRS requires that certain financial assets and liabilities be carried and disclosed at fair value, which requires the use of accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. foreign exchange rates, interest rates, volatility rate), the timing and amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in the assumptions could affect the fair values of these financial assets and liabilities.

b) *Estimation of allowance for credit losses*
The Group maintains an allowance for credit losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using specific assessment and collective approaches. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

As of June 30, 2018 and December 31, 2017, the carrying value of receivables and the related allowance for credit losses are disclosed in Note 8.

c) *Impairment of AFS investments*
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease of more than 20.00% of the original cost of investment, and 'prolonged' as longer than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price for quoted equity securities and future cash flows and discount factors for unquoted equity securities.

The Group treats AFS debt investments as impaired when an objective evidence of impairment exists. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

d) *Estimated useful lives of property and equipment, software and website costs*
The useful lives of the property and equipment and software and website costs are estimated based on the period over which the property and equipment and software and website costs are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment and software and website costs are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment, software and website. However, it is possible that future results or operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property and equipment, software and website costs during the period.

e) *Impairment of nonfinancial assets (except goodwill)*
PAS 36 requires that an impairment review be performed when certain impairment indicators are present. Determining the value in use of property and equipment and other nonfinancial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

As of June 30, 2018 and December 31, 2017, the Group's property and equipment and software do not have any indication of impairment.

f) *Estimation of retirement costs*
The determination of the Group's retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the retirement obligation.

g) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets to be recognized, based upon likely timing and level of future taxable income.

h) *Estimation of legal contingencies*
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon thorough analysis of potential results. Based on the management's assessment, there are no legal claims that require recognition in the Group's consolidated financial statements as of June 30, 2018.

4. **Financial Risk Management Objective and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, financial assets at FVPL, accounts payable and other liabilities and notes payable. The Group also has various other financial assets and liabilities such as trade receivables and deposits.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risks. The BOD reviews and approves the policies for managing each risk and these are summarized below.

Credit Risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis so that the Group's exposure to credit losses is not that significant.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

As of June 30, 2018 and December 31, 2017, the Group's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at FVPL and AFS investments represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressful circumstances. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs. Any excess cash is invested in short-term investments. These placements are maintained to meet maturing obligations.

Market Risk
Market risk is the risk that movements in market prices will adversely affect the Group's financial condition. In managing its market risk exposure, the Group focuses on managing price risk (risk of loss arising from any change in the value of any asset or trading instrument) and foreign exchange risks (risk of loss arising from fluctuations in exchange rates).

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's AFS investments and financial assets at FVPL.

The sensitivity of equity is the effect of the assumed changes in interest rates by revaluing the fixed rate AFS investments while the sensitivity of income is the effect to changes in fair value of fixed rate financial assets at FVPL held as of reporting date.

Foreign Currency Risk
The Group has transactional currency exposures. The Group's financial instruments which are denominated in foreign currency include cash and cash equivalents, receivables, AFS

investments, financial assets at FVPL, and long-term debt. The Group maintains several U.S. dollar accounts to manage its foreign currency denominated transactions.
Equity Price Risk
Equity price risk is the risk that the fair value of quoted AFS investments will fluctuate as a result of changes in the value of individual stocks.

Capital Management
The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management considers capital stock and retained earnings as core capital of the Group.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as interest-bearing long-term debt over total equity, excluding cumulative net unrealized gain or loss on changes in the fair value of AFS investments.

5. Fair Value of Financial Assets

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Receivables (excluding Unquoted Debt Securities), Accounts Payable and Other Current Liabilities and Notes Payable
The carrying amounts approximate fair values due to the short-term nature of these financial instruments.

AFS Investments and Financial Assets at FVPL
Fair values are generally based on quoted market prices. For the Group's equity and fixed income investments, fair values are determined based on quoted shares in the PSE and fixing rates of the Philippine Dealing Exchange, respectively. If market prices are not readily available or if the securities are not traded in an active market, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

Derivative Instruments (included under Financial Assets at FVPL)
Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative instruments. For the stock warrants, fair values are determined based on the quoted bid price.

Fair value hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments measured at fair value:

Level 1: quoted (unadjusted) prices in active markets for identified assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

6. Segment Information

For management purposes, the Group is organized into major operating business segments as follows:

a. Investment holdings
The investment holdings segment deals in the acquisition and sale of financial instruments.

b. Remittance services
The remittance services segment provides the infrastructure and services as the largest direct agent for money transfer of Overseas Filipino Workers. Beyond the remittance business, this segment facilitates the fulfillment of e-commerce transactions and serves as a payment platform for any Business to Business (B2B) or Business to Customers (B2C) initiative.

c. Internet online-related products and services
This segment engages in the business of internet online-related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites; to engage in other pre-production and post-production work on web sites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

d. Mutual fund management
This segment deals in the management of mutual funds.

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment income before tax. Segment income before tax is based on the same accounting policies as the consolidated net income except that intersegment revenues are eliminated only at the consolidation level. Transfer pricing between segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each Group's segment. The Excom oversees the Group's decision making process. The Excom's functions are supported by the heads of each of the segments, which provide essential input and advice in the decision-making process. The Chief Operating Decision Maker is the Chief Executive Officer.

The Group mainly operates and generates revenue in the Philippines. Thus, geographical segment information is not presented.

The Group has no significant customers which contribute 10.00% or more of the consolidated revenues.

7. Cash and Cash Equivalents

This account consists of:

	As of June 30, 2018	As of December 31, 2017
Cash on hand	**308,015,489**	172,510,647
Cash in banks	**222,955,704**	348,057,127
Short-term placements	**5,012,331,606**	5,535,144,872
Total	**5,543,302,799**	6,055,712,646

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of one to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates.

8. Loans and receivables

This account consists of:

Loans and receivables

	As of June 30, 2018	As of December 31, 2017
Due from:		
Western Union	**345,112,625**	509,934,285
Broker	**15,591**	
Business partners	**-**	66,560
Accrued interest	**13,875,690**	18,651,729
Trade receivable	**27,301,384**	57,894,783
Discounted Receivable	**270,000,000**	-
Receivable from related parties and employees	**807,254**	1,428,743
Others	**504,553,785**	12,041,550
	1,161,666,328	600,017,650
Less Discount on Accounts Receivable	**(10,427,250)**	
Allowance for credit losses	**(34,790,440)**	(34,790,440)
Total	**1,116,448,638**	565,227,210

Other receivables pertain to redemption of shares invested in mutual funds due for collection the following month.

Aging of loans receivable is presented below:

Aging of Loans and Receivables

No. of Days	Due from WU, Brokers, Subagents and Affiliates	Discounted Receivables	Others	Total
Current (1-30 days)	345,935,470		545,730,859	**891,666,328**
31 – 60 days		-		**-**
61 – 90 days		-		**-**
Over 90 days		270,000,000		**270,000,000**
TOTAL	**345,935,470**	**270,000,000**	**545,730,859**	**1,161,666,328**

Due from Western Union represents pay-outs from e-Business covering fund transfers and remittance services, which were not yet reimbursed by Western Union as of the reporting date.

Due from broker pertains to the amount collectible for the sale of quoted equity securities. This is usually collectible within three trading days following the settlement convention.

Due from sub-agents arising from money transfer services are shown net of related payables to the same sub-agent. Sub-agent accounts showing net payable balances are shown under 'Accounts payable and other current liabilities' in the consolidated statements of financial position.

Discounted receivable are receivables bought at a discount and will mature in 2019.

Other receivables pertain to redemption of shares invested in mutual funds due for collection the following month.

The terms and conditions of loans and receivables are as follows:

- Due from Western Union, sub-agents, and business partners generally have one to four days' term.
- Due from broker is usually collectible within three days.
- Advances to officers and employees are either subject for liquidation or collectible through salary deduction.
- Other receivables are all short-term in nature.

9. Financial Assets at FVPL

This account consists of investments in:

Financial Assets at FVPL

	As of June 30, 2018	As of December 31, 2017
Quoted		
UITF	-	1,501,906,115
Equity securities	**223,205,305**	
Mutual Funds	**1,304,663,513**	
Debt securities	**990,664,437**	651,036,248
Derivative assets	**24,977,500**	129,488,695
Unquoted		
Debt securities	-	73,514,509
	2,543,510,755	2,355,945,567

A UITF is a product offering of banks in which investors buy units of participation in the said fund. UITF investments are held for strategic purposes and are redeemable any time at the prevailing NAVPS.

Equity Securities
Quoted equity securities pertain to investments in stocks listed in the PSE.

Mutual Funds
Mutual funds represent investment in an open-end mutual fund. These investments are valued at net asset value per share (NAVPS) which is computed by dividing the mutual funds' net assets (total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date.

Debt Securities
Debt Securities primarily consist of peso-denominated FXTNs and PSALMs and CLN.

Quoted corporate bonds are peso-denominated and US$-denominated bonds issued by private companies.

Unquoted corporate bond is a peso-denominated security issued by a private company.

10. Available-For-Sale Investments

This account consists of investments in:

Available-For-Sale Investments

	As of June 30, 2018	As of December 31, 2017
Quoted:		
Equity securities	-	1,059,871,230
Mutual funds	-	2,262,699,318
Government bonds	-	108,903,593
Corporate bonds	-	87,613,868
Unquoted:	-	
Golf shares	-	570,000
Equity securities	-	239,312
	-	3,519,897,321
Less: Allowance for impairment losses		(239,312.00)
Impairment loss	-	
	-	3,519,658,009

Equity Securities
Quoted equity securities pertain to investments in stocks listed in the PSE.

Debt Securities
Debt Securities primarily consist of peso-denominated FXTNs and CLN.

Corporate Bonds
Quoted corporate bonds are peso-denominated and US$-denominated bonds issued by private companies.

Mutual Funds
Mutual funds represent investment in an open-end mutual fund. These investments are valued at net asset value per share (NAVPS) which is computed by dividing the mutual funds' net assets (total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date.

11. Amortized Cost

This account consists of:

Amortized Cost

	As of June 30, 2018	As of December 31, 2017
Quoted		
Debt securities	**22,813,450**	-
	22,813,450	

Debt Securities
Debt Securities primarily consist of dollar-denominated PSALMs

12. **Prepaid Expenses and Other Current Assets**

This account consists of:

	As of June 30, 2018	As of December 31, 2017
Prepaid expenses	**7,729,569**	2,516,490
Input value-added tax and other taxes	**14,641,702**	8,685,788
Others	**132,361**	1,103,435
	22,503,632	12,305,713
Less: Allowance for impairment	**(2,805,487)**	(3,097,721)
	19,698,145	9,207,992

Prepaid expenses comprise rent, insurance, taxes and uniforms.

13. **Property and Equipment**

Details of this account are presented below:

Property and Equipment

	As of June 30, 2018	As of December 31, 2017
Cost	**415,103,278**	478,591,780
Less: Accumulated Depreciation	**273,211,411**	336,359,911
	141,891,867	142,231,869

14. **Other Noncurrent Assets**

This account consists of:

	As of June 30, 2018	As of December 31, 2017
Receivable from sale of investments	**96,592,600**	96,592,600
Rental and other deposits	**24,359,274**	22,726,416
Software and website - net	**7,830,326**	10,058,995
Goodwill	**3,654,985**	3,654,985
Deferred Input VAT	**9,098,600**	9,098,600
Others	**222,415**	242,413
	141,758,200	142,374,009
Less: Allowance for credit losses	**(100,667,601)**	(100,667,601)
	41,090,599	41,706,408

In 2001, the Parent Company sold its investment in Lucky Star at ₱96.59 million (a company incorporated to operate off-front on betting stations in the Philippines) since management believes that there is a significant uncertainty with respect to the recovery of this investment due to the Supreme Court decision to shut down Jai-alai operations. The related receivable from the sale, which is collectible over ten years at certain pre-agreed installment terms until 2012, has been fully provided with allowance for credit losses. As collections are actually received, an equivalent amount of the allowance will be reversed and credited to income.

The goodwill recognized in the consolidated statement of financial position pertains to the excess of the acquisition cost of the Parent Company over the book value (BV) per share of the investment in PEMI in 1994. The Group performed its annual impairment test on December 31, 2016. The relationship between the investment's current BV per share (considered as the recoverable amount) and its original carrying value (CV) per share, among other factor, when reviewing for indicators of impairment. As of March 31, 2018, the current BV per share of PEMI is above the investment cost per share. There is no impairment loss recognized on goodwill as at 2018.

As of June 30, 2018 and December 31, 2017, there are no movements in the allowance for credit and impairment losses.

15. **Accounts Payable and Other Current Liabilities**

This account consists of:

	As of June 30, 2018	As of December 31, 2017
Due to sub-agents and brokers	**104,998,096**	304,755,992
Accrued expenses	**173,321,573**	142,903,559
Trade	**15,985,588**	85,836,652
Output value added tax	**1,902,737**	9,091,347
Derivative liabilities	**33,390,700**	1,800,000
Documentary Stamp Tax	**13,036,132**	7,353,939
Others	**9,664,645**	13,385,652
	352,299,471	565,127,141

Terms and conditions and nature of the liabilities follow:

- Due to sub-agents and brokers are noninterest-bearing and are normally settled on a two to four days' term.
- Accrued expenses consists of accruals for profit sharing costs, vacation leave and sick leave conversion, insurance, security services, cash delivery services, utilities, media buys and others.
- Trade payables include amounts due for purchase of government bonds.
- Other payables include withholding taxes payable, merchant deposits, sundry credits and others.

Trade payables, accrued expenses and other payables are all short-term in nature. These are settled within one year after the reporting period.

16. **General and Administrative Expenses**

This account consists of:

	As of June 30, 2018	As of June 30, 2017
Salaries, wages and allowances	**70,087,932**	67,902,252
Rent and utilities	**36,897,927**	37,129,908
Outside services	**32,123,094**	31,258,031
Professional fee	**2,376,377**	18,620,165
Office supplies	**4,169,596**	5,050,503
Taxes and licenses	**17,287,460**	5,869,388
Transportation and travel	**8,559,233**	7,349,219
Representation	**1,583,131**	1,036,634
Advertising	**2,950,742**	1,064,049
Others	**45,074,032**	42,015,851
	221,109,525	217,296,000

17. **Retirement Costs**

The Parent Company and PEMI have unfunded, noncontributory defined benefit pension plans covering substantially all of their qualified employees. e-Business has a funded, noncontributory defined benefit pension plan. The funds of the plan of e-Business are being administered and managed by the Trust & Investment Services Group of Union Bank of the Philippines.

18. **Equity**

The details of this account as of June 30, 2018 and December 31, 2017 are shown below:

	June 30, 2018		December 31, 2017	
	Shares	**Amount**	Shares	Amount
Authorized shares (at par value*)	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued shares	**4,335,181,766**	**4,335,181,766**	4,335,181,766	4,335,181,766
Treasury stock	**(135,599,500)**	**(190,460,934)**	(135,599,500)	(190,460,934)
Outstanding shares	**4,199,582,266**	**₱4,144,720,832**	4,199,582,266	₱4,144,720,832

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

a. Authorized Shares

Date of SEC Approval	Type of Shares	Authorized Number of Shares
October 27, 2015	Common	5,000,000,000
January 12, 2009	Common	2,250,000,000
October 20, 1992	Common	1,900,000,000

b. Stock Dividends

Date of SEC Approval	Percentage
December 18, 2015	100%
January 12, 2009	25%

c. Number of Shareholders

Year End	Number of shareholders
December 31, 2017	616
December 31, 2016	621
December 31, 2015	629

On May 19, 2015, the BOD of the Parent Company approved the declaration of stock dividends equivalent to a total of ₱2.10 billion representing 2,099,791,133 shares at ₱1.00 par value per share, payable to all stockholders of record as of January 8, 2016. The said dividends were distributed on February 3, 2016.

Dividend declaration of subsidiaries
On February 3, 2016, the BOD and two-thirds (2/3) of the outstanding capital of the PEMI approved the declaration of stock dividends equivalent to a total of 1,785,000 shares at ₱100.00

par value per share, payable to all stockholders of record as of February 15, 2016. The said dividends is paid on March 14, 2016.

On December 11, 2013, the BOD of e-Business approved the declaration of stock dividends worth ₱150.00 million to stockholders of record as of December 30 ,2013. Stock dividends were distributed on October 10, 2014.

Increase in Authorized Capital Stock of Subsidiaries
On June 20, 2017, the BOD and two-thirds (2/3) of the outstanding capital of Ebusiness Services, Inc. approved the increase in the authorized capital stock from 400,000,000 shares with par value of ₱1.00 per share in 2016 to 800,000,000 shares with par value of ₱1.00 per share in 2017. The SEC approved the increase in authorized capital stock on January 23, 2018.

Of the said increase, 400,000,000 shares of capital stock has been actually subscribed and paid by the existing shareholders of the Corporation by way of stock dividends to be paid out of the retained earnings which was declared on June 20, 2017.

19. Related Party Transactions

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

Related party transactions with subsidiaries are eliminated in the consolidated financial statements. These transactions are based on terms similar to those offered to non-related parties and are settled in cash.

20. Basic/Diluted Earnings Per Share

		June 30, 2018	December 31, 2017
(a)	Net income (loss) attributable to equity holders of the Parent Company	**(₱235,913,866)**	**₱654,276,428**
(b)	Weighted average outstanding shares	**4,199,582,266**	**4,199,582,266**
(c)	Basic/Diluted earnings per share (a/b)	**(₱0.0562)**	**₱0.1558**