CR05690-2016

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended

   Jun 30, 2016

2. SEC Identification Number

   A200115151

3. BIR Tax Identification No.

   219-045-668

4. Exact name of issuer as specified in its charter

   AG Finance, Incorporated

5. Province, country or other jurisdiction of incorporation or organization

   Metro Manila, Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   Unit 4-3 Citibank Center, 8741 Paseo de Roxas, Makati City
   Postal Code
   1226

8. Issuer's telephone number, including area code

   (02)833-0769

9. Former name or former address, and former fiscal year, if changed since last report

   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	261,824,002

11. Are any or all of registrant's securities listed on a Stock Exchange?

   (●) Yes ( ) No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

   (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- (•) Yes ( ) No

(b) has been subject to such filing requirements for the past ninety (90) days

- (•) Yes ( ) No

AG Finance, Incorporated
AGF

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2016
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2016	Dec 31, 2015
Current Assets	2,437,334	2,340,362
Total Assets	329,846,994	329,750,022
Current Liabilities	1,494,713	513,945
Total Liabilities	1,494,713	513,945
Retained Earnings/(Deficit)	-7,748,969	-6,865,173
Stockholders' Equity	328,352,281	329,236,077
Stockholders' Equity - Parent	336,516,119	474,229,734
Book Value per Share	1.25	1.26

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	554	5,547,184	639	28,080,357

Other Revenue	0	0	0	0
Gross Revenue	554	5,547,184	639	28,080,357
Operating Expense	-299,946	-22,766,946	-884,435	-32,597,018
Other Expense	0	0	0	0
Gross Expense	-299,946	-22,766,946	-884,435	-32,597,018
Net Income/(Loss) Before Tax	-299,861	-17,219,762	-883,796	-4,516,661
Income Tax Expense	0	-5,235,340	0	-1,248,716
Net Income/(Loss) After Tax	-299,861	-11,984,422	-883,796	-3,267,945
Net Income Attributable to Parent Equity Holder	0	0	0	0
Earnings/(Loss) Per Share (Basic)	-0	-0.05	-0	-0.03
Earnings/(Loss) Per Share (Diluted)	-0	-0.05	-0	-0.03

Other Relevant Information
NONE

Filed on behalf by:

Name	Joanna Manzano
Designation	Compliance Officer

108122016003590

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

SEC Registration No.	A200115151
Company Name	AG FINANCE INCORPORATED
Industry Classification	LENDING INVESTOR ACTIVITIES
Company Type	Stock Corporation

Document Information

Document ID	108122016003590
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Period Covered	June 30, 2016
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

A 2 0 0 1 1 5 1 5 1

S.E.C. Registration Number

AG FINANCE, INCORPORATED

(Company's Full Name)

UNIT 4-3 CITICENTER

8741 PASEO DE ROXAS

MAKATI CITY

(Business Address : No. Street Company / Town / Province)

Rolando S. Santos	(632) 831-44-79
Contact Person	Company Telephone Number

Last Wednesday of May

1 2	3 1	SEC FORM 17-Q		
Month	*Day*	FORM TYPE	*Month*	*Day*

Annual Meeting

Registered & Listed

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1 2

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **June 30, 2016**

2. Commission identification number **A200115151**

3. BIR Tax Identification No. **219-045-668**

4. Exact name of issuer as specified in its charter **AG Finance, Incorporated**

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**

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

7. Address of issuer's principal office Unit 4-3 Citicenter 8741 Paseo de Roxas Makati city

Postal Code **1226**

8. Issuer's telephone number, including area code **(632)831-4479**

9. Former name, former address and former fiscal year, if changed since last report
U2205A East, PSE Centre, Exchange Rd. Ortigas, Pasig City

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
Common Stock, P1 par value	**261,824,002**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

Philippine Stock Exchange **Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

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

Yes [x] No [ ]

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

The unaudited interim Financial Statements of AG Finance Incorporated as of June 30, 2016 (with comparative audited Balance Sheet as of December 31, 2015) and for the six-month period ended June 30, 2016 and 2015 are in compliance with generally accepted accounting principles. There were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Balance Sheet as of June 30, 2016 and December 31, 2015

	2016 Unaudited	2015 Audited	2016 vs. 2015	
			Amount Increase (decrease)	Percentage Increase (decrease)
	(₱'000)	(₱'000)	(₱'000)	
Current assets	**₱2,437**	₱2,340	₱97	4.14%
Noncurrent assets	**327,410**	327,410	–	–
Total Assets	**₱329,847**	₱329,750	₱97	0.03%
Current liabilities	**₱1,495**	₱514	₱981	190.86%
Stockholders' Equity	**328,352**	329,236	(884)	(0.27%)
Total Liabilities and Stockholders' Equity	**₱329,847**	₱329,750	₱97	0.03%

Summary of Income Statements for the six months and three months period ended June 30, 2016 and 2015.

	For six months ending June 30		**For three months ending June 30**	
	2016	**2015**	2016	2015
	(₱'000)	(₱'000)	**(₱'000)**	(₱'000)
Interest Income	**₱1**	₱27,445	₱1	₱5,279
Interest Expense	–	–		
Net Interest Income	**1**	27,445	1	5,279
Impairment (Loss) Gain	–	(500)		250
Net Interest Income After Impairment	**1**	26,945	1	5,529
Other Operating Income	–	1,135		18
Other Operation Expense	**884**	(32,597)	(584)	(22,767)
Profit (Loss) Before Tax	**(883)**	(4,517)	(583)	(17,220)
Tax Expense	–	(1,249)		(5,235)
Net Income (loss) for the period	**(₱883)**	(₱3,268)	(₱583)	₱11,985)

Summary of Statement of Cash Flows for the six months period ending June 30, 2016 and June 30, 2015.

	For six months ending June 30		For three months ending June 30	
	2016	**2015**	**2016**	**2015**
	(₱'000)	**(₱'000)**	**(₱'000)**	**(₱'000)**
Cash (used) provided in operating activities	**₱95**	₱(171,466)	**₱(54)**	₱(13,418)
Cash provided from investing activities	–	301	–	301
Cash used in financing activities	**95**	(123,057)	**(54)**	(123,057)
Effect in exchange rate change on cash	–	(147)	–	–
Net decrease in cash and cash equivalent	**95**	(294,369)	**(54)**	(136,175)
Cash and cash equivalent- December 31, 2015	**61**	294,479	**210**	136,285
Cash and cash equivalent June 30, 2016	**₱156**	₱110	**₱156**	₱110

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

On April 20, 2015, the shareholders approved the change in the Company's primary purpose from leasing and finance to that of a holding company, and adding as a secondary purpose, mining and smelting operations, and the amendment of the Company's Articles of Incorporation to reflect the changes in the primary and secondary purposes. On December 18, 2015, the stockholders approved the amendment of the Articles of Incorporation to change its corporate name from AG Finance Incorporated to Ferronoux Metals Refinery Inc., change of principal address from Unit 2205-A, East Tower Philippine Stock Exchange Center Exchange Road, Ortigas Center, Pasig City to 16th Floor Citibank Tower, Paseo de Roxas, Makati City and to increase the number of directors from 7 to 9 and Amendment of the Corporation's By Laws to increase the number of directors from 7 to 9, change the date of the Annual Meeting from last Friday of June to last Wednesday of May as stated in Article II Section 1, change of stock symbol from AGF to FMR, election of the directors and appointment of Reyes Tacandong & Co. as the Corporation's external auditor.

Results of Operation

The following discussion and analysis is based on the unaudited interim financial statements for six months period ending June 30, 2016 and 2015.

Six Months Ended June 30, 2016 Compared with the Six Months Ended June 30, 2015 (Increase/Decrease of 5% or More)

Interest Income

Interest income earned for the current period of ₱0.6 thousand pertains to bank interest only. In 2015, before the Company ceased its lending activities it earned ₱27.4 million from its lending activities and from bank deposits.

Other operating income
There is no operating income during the period as compared to ₱1.1 million on the same period last year. The operating income includes processing fees, penalties and rental income.

Operating expenses
Operating expenses were ₱0.9 million for the six months ended June 30, 2016 compared to ₱32.6 million for the same period in 2015, a decrease of ₱31.7 million or 106.5%.

Statements of Operation for the Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014 (Increase/Decrease of 5% or More)

Interest Income
Interest income decreased by ₱13.5 million or 33% in the first six months of 2015 as compared to the same period in 2014. This was mainly due to the decrease in interest income on OFW loans by 29.9% or ₱10.8 million.

The decrease in interest income in OFW loans was due to the decrease in loan releases during the 2nd quarter of the 2015 and the sale of outstanding notes receivable to another company.

Interest income on salary loans decreased by 56.3% or ₱2.2 million. This is attributable to the decrease in loan releases to local borrowers.

Interest Income on Deposit decreased by 62.8% to ₱0.5 million. The decrease was mainly attributable to the decrease in cash in banks, which was due to increase in loan releases and increase in expenses paid.

Other operating income, which includes processing fees, penalties and rental income, decreased by 80% or ₱4.5 million. This was attributable to lower loan releases during the 2nd quarter.

Operating expenses showed a net increase of 31%. This was due to the increase in salaries and other benefits by 71.7%, taxes and licenses by 60.4%, professional fees by 40.7%.

<u>*Statements of Financial Position*</u>

The significant changes in the Statement of Financial Position accounts during the six months ended June 30, 2016 compared to December 31, 2015 are as follows:

Total assets were ₱329.8 million as of June 30, 2016 compared to ₱329.7 million for the same period in 2016, a decrease of ₱0.1 million. The increase in cash was due to advances from RYM Business Management Corp. amounting to one (1) million pesos.

Total Liabilities increased by ₱1.0 million or 200.0% from ₱0.5 million to ₱1.5 million mainly due to advances from RYM Business Management Corp.

Total Equity decreased by ₱0.9 million or 0.3% is mainly due to net loss for the interim period.

<u>*Statements of Cash Flows*</u>

The net cash provided in operating activities amounted to ₱95.0 thousand for the six months ended June 30, 2016 compared to net cash used last year amounted ₱171.7 million. The increase in cash from operating activities is the net result of the following:

- Net loss generated during the second quarter this year.

• Advances to related parties

In the second quarter of 2015 the company generate cash from disposal of property and equipment for ₱0.3 million.

In addition, there was a decreased in dollar exchange rate that affect the Cash equivalent of the company amounting to ₱0.2 million.

The net effect of the foregoing operating, investing and financing activities were a net decrease of ₱0.1 million and a balance of ₱0.2 million in cash as of June 30, 2016 as compared to a net cash decrease of ₱294.4 million and a balance of ₱0.1 million as of June 30, 2015.

Horizontal and Vertical Analysis

	Unaudited 2016	Audited 2015	Increase (Decrease) Amount	Percentage
ASSETS				
Current Assets				
Cash	**₱156,397**	₱61,425	₱94,972	154.61%
Other current assets	**2,280,937**	2,278,937	2,000	0.09%
Total Current Assets	**2,437,334**	2,340,362	96,972	4.14%
Noncurrent Assets				
Note receivable	**327,409,660**	327,409,660	–	–
Total Noncurrent Assets	**327,409,660**	327,409,660	–	–
	₱329,846,994	₱329,750,022	₱96,972	0.03%
LIABILITIES AND EQUITY				
Current Liabilities				
Accrued expenses and other current liabilities	**₱1,494,713**	₱513,945	₱980,768	190.83%
Equity				
Capital stock	**261,824,002**	261,824,002	–	–
Additional paid-in capital	**74,277,248**	74,277,248	–	–
Deficit	**(7,748,969)**	(6,865,173)	(883,796)	12.87%
Total Equity	**328,352,281**	329,236,077	(883,796)	(0.27%)
	₱329,846,994	₱329,750,022	₱96,972	0.03%

Financial Indicators

	As of June 30, 2016	As of June 30, 2015
Current Ratio1/	1.63:1.00	4.55:1
Debt to Equity Ratio2/	0.01:1.00	0.00:1
Asset to Equity Ratio3/	1.00:1.00	1:1
Return on Assets4/	-0.002	0.02
Return on Equity5/	-0.002	0.02

1/ Current assets divided by current liabilities
2/ Total liabilities divided by equity
3/ Total assets divided by equity
4/ Net income divided by average assets
5/ Net income divided by average equity

Other Information

a. There are no known trends, demands, commitments, events or uncertainties that have a material impact on the Company's liquidity.

b. There are no events that will trigger direct or contingent financial obligation that is material to the Company.

c. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities, or other persons were created during the interim period.

d. There are no material commitments for capital expenditures during the interim period.

e. There are no known trends, events or uncertainties that have or are reasonably expected to have a material impact on net sales/ revenues/ income from continuing operations.

f. There is no significant income or expense that did not arise from the Company's continuing operations.

g. There is no seasonal aspect that had a material effect on the financial condition or results of operation.

PART II - OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a.
Current Ratio
Total Current Assets/ Total Current Liabilities 1.63:1.00

b.
Quick Ratio
Quick asset / Total Current Liabilities = 0.10:1.00

Solvency Ratio

a.
Debt Ratio
Total liabilities / Total assets = 0.01:1.00

b.
Debt to Equity Ratio
Total liabilities / Shareholder's Equity = 0.01:1.00

Profitability Ratio

a.
Return on Equity Ratio
Net loss / Average shareholder's equity = 0.00

b.
Return on Assets
Net loss / Average Total assets = 0.00

c.
Asset to Equity Ratio:
Total Assets / Ave. Stockholders' Equity = 1.00:1.00

d.
Asset Turnover
Revenue/Total Assets = 0.00

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AG FINANCE, INCORPORATED**

Date: August 10, 2016

By:

Signature: ______________________
ROLANDO S. SANTOS
Title: Treasurer

Signature: ______________________
LESTER LAURENCE S. BAGUEC
Title: Accountant

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corporation)
STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited June 30, 2016**	Audited December 31, 2015
ASSETS			
Current Assets			
Cash	6	**₱156,397**	₱61,425
Other current assets	8	**2,280,937**	2,278,937
Total Current Assets		**2,437,334**	2,340,362
Noncurrent Assets			
Note receivable	7	**327,409,660**	327,409,660
Total Noncurrent Assets		**327,409,660**	327,409,660
		₱329,846,994	₱329,750,022
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	10	**₱1,494,713**	₱513,945
Equity			
Capital stock	13	**261,824,002**	261,824,002
Additional paid-in capital	13	**74,277,248**	74,277,248
Retained earnings (deficit)		**(7,748,969)**	(6,865,173)
Total Equity		**328,352,281**	329,236,077
		₱329,846,994	₱329,750,022

See accompanying Notes to Financial Statements.

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corporation)
STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended June 30, 2016**	Six months ended June 30, 2015	**Three months ended June 30, 2016**	Three months ended June 30, 2015
INCOME					
Interest income	14	**₱639**	₱27,445,333	**₱85**	₱5,279,673
EXPENSES	15	**(884,435)**	(32,597,018)	**(299,946)**	(22,766,946)
OTHER INCOME (CHARGES)					
Impairment (loss) gain	7	–	(500,000)	–	250,000
Other operating income		–	1,135,024	–	17,511
LOSS BEFORE INCOME TAX		**(883,796)**	(4,516,661)	**(299,861)**	(17,219,762)
PROVISION FOR INCOME TAX					
Current		–	(1,248,716)	–	(5,235,340)
NET LOSS		**(883,796)**	(3,267,945)	**(299,861)**	(11,984,422)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE LOSS		**(₱883,796)**	(₱3,267,945)	**(₱299,861)**	(₱11,984,422)
BASIC/ DILUTED LOSS PER SHARE	16	**(₱0.003)**	(₱0.012)	**(₱0.001)**	(₱0.045)

See accompanying Notes to Financial Statements.

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corporation)

STATEMENT OF CHANGES IN EQUITY

	Note	June 30, 2016	June 30, 2015
CAPITAL STOCK	13		
Balance at beginning of year		**₱261,824,002**	₱261,824,002
Issuance		–	–
Balance at end of year		**261,824,002**	261,824,002
ADDITIONAL PAID-IN CAPITAL	13		
Balance at beginning of year		**74,277,248**	74,277,248
Issuance		–	–
Balance at end of year		**74,277,248**	74,277,248
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year, as previously reported		**(6,865,173)**	138,295,331
Prior period adjustment	19	–	(11,348,226)
Balance at beginning of year, as restated		**(6,865,173)**	126,947,105
Cash dividends	13	–	(123,057,281)
Net loss		**(883,796)**	(3,267,945)
Balance at end of year		**(7,748,969)**	621,879
REMEASUREMENT GAIN (LOSS) ON RETIREMENT LIABILITY	11		
Balance at beginning of year		–	(166,847)
Effect of curtailment		–	–
Balance at end of year		–	(166,847)
TOTAL EQUITY		**₱328,352,281**	₱336,556,282

See accompanying Notes to Financial Statements.

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corporation)
STATEMENT OF CASH FLOWS

	Note	Three months period ended June 30,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(₱299,861)**	(₱17,219,762)
Adjustments for:			
Prior period adjustment		–	(11,348,226)
Interest income		**(85)**	(27,445,333)
Depreciation	9	–	76,853
Impairment loss on loans receivable	7	–	(250,000)
Operating profit before working capital changes		**(299,946)**	(56,186,468)
Decrease (increase) in:			
Loans receivables		–	(8,745,515)
Other current asset		**(2,000)**	17,810,371
Increase (decrease) in:			
Accrued expenses and other current liabilities		**247,745**	(10,970,607)
Net cash used in operations		**(54,201)**	(58,092,219)
Interest received		**85**	44,673,999
Net cash used in operating activities		**(54,116)**	(13,418,220)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	9	–	300,832
Net cash provided by investing activities		–	300,832
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for:			
Dividends	13	–	(123,057,281)
Net cash used in financing activities		–	(123,057,281)
NET INCREASE IN CASH		**(54,116)**	(136,174,669)
CASH AT BEGINNING OF PERIOD		**210,513**	136,284,948
CASH AT END OF PERIOD		**₱156,397**	₱110,279

See accompanying Notes to Financial Statements.

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corporation)
STATEMENT OF CASH FLOWS

	Note	2016	2015
		Six months period ended June 30	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(₱883,796)**	(₱4,516,661)
Adjustments for:			
Prior period adjustment		–	(11,348,226)
Interest income		**(639)**	(27,445,333)
Depreciation	9	–	169,335
Unrealized foreign currency losses (gains)		–	146,908
Impairment loss on loans receivable	7	–	500,000
Operating profit before working capital changes		**(883,796)**	(42,493,977)
Decrease (increase) in:			
Loans receivables		–	(171,132,799)
Other current asset		**(2,000)**	13,449,829
Increase (decrease) in:			
Accrued expenses and other current liabilities		**980,768**	(13,869,793)
Net cash generated from (used in) operations		**94,972**	(214,046,740)
Interest received		**639**	44,673,999
Cash paid for income tax			(2,093,017)
Net cash provided by (used in) operating activities		**94,972**	(171,465,758)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	9	–	300,832
Net cash provided by investing activities		–	300,832
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for:			
Dividends	13	–	(123,057,281)
Net cash used in financing activities		–	(123,057,281)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		–	(146,908)
NET INCREASE IN CASH		**94,972**	(294,369,115)
CASH AT BEGINNING OF PERIOD		**61,425**	294,479,394
CASH AT END OF PERIOD		**₱156,397**	₱110,279

See accompanying Notes to Financial Statements.

1. Corporate Matters

AG Finance Incorporated (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 14, 2001 primarily to operate as a financing company and provide short-term, unsecured credit facilities to permanent rank-and-file employees of medium-sized companies in the Philippines.

The Company's shares of stock are listed in the Philippine Stock Exchange (PSE) on August 13, 2013. As at December 31, 2015 and 2014, 261,824,002 shares of the Company are listed in the PSE.

On March 6, 2015, the Board of Directors (BOD) approved the change of the Company's principal purpose to a holding company, including investment in mining and smelting operations as secondary purpose. The Company is still in the process of applying with the SEC for the amendment to the articles of incorporation.

On June 25, 2015, RYM Business Management Corporation (RYM or the Parent Company) acquired 183,276,801 shares from various outstanding stockholders.

The Company's registered office is Unit 2205A East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared on a historical cost basis. These are presented in Philippine Peso, which is the Company's functional currency. All values are in absolute amount, unless otherwise stated.

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of issuances by the International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

3. Summary of Changes in Accounting Policies

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

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

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

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

- PFRS 9 – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

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

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

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

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

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

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

4. Summary of Significant Accounting Policies

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

Fair Value Measurement

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Financial Assets and Liabilities

a. Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting. The initial measurement of the financial instruments, except for those classified at fair value through profit or loss (FVPL), includes transaction costs.

"Day 1" Differences. Where the transaction 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 observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income. In cases where there is no observable data on inception, the Company deemed the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As June 30, 2016 and December 31, 2015 the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

This category includes cash and cash equivalents (excluding cash on hand) and loans and note receivable.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

This category accrued expenses and other current liabilities (excluding statutory payables).

c. Derecognition

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

- the right to receive cash flows from the asset has expired; or

- the Company 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 Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

Where the Company has transferred its right 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 of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

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 the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

d. Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statement of financial position.

e. Impairment of Financial Assets

Loans and Receivables. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company 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 group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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 group of financial assets that can be reliably estimated. The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined had no impairment been recognized.

<u>Other Current Assets</u>
Other current assets include prepayments and creditable withholding taxes (CWT).

Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

CWT are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

<u>Property and Equipment</u>
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable purchase taxes after deducting trade discounts and rebates and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the 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 replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Asset Type	Years
Condominium Units	14-20
Furniture, Fixtures and Office Equipment	3-5

The estimated useful lives and method for depreciation are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Capital Stock and APIC

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of all current and prior period operating results, less dividends declared.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows.

Interest. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Processing fees. Processing fees are recognized at the time the loan contract was agreed with the borrowers to the extent of the cost incurred for processing of the loans extended

Penalties. Penalties are recognized based on a certain percentage of monthly amortizations that were collected beyond due date.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably.

Finance Costs
Finance costs represent the cost of money used in operations. It is recognized as incurred using the effective interest rate method.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and interest expense in profit or loss. Interest expense is calculated by applying the discount rate to the retirement liability or asset.

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

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the defined benefit obligation. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences 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, carry-forward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward benefits of unused MCIT and unused NOLCO can be utilized. Deferred 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 profit nor taxable profit 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 profit will be available to allow all or part of the deferred tax asset 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 profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

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

EPS
Basic EPS is computed by dividing net income (loss) for the year attributable to capital stockholders by the weighted average number of capital stock outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of capital stock outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive capital stock would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Provisions
Provisions are recognized when the Company 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.

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

Events after the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements when material. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

Segment Reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components.

The Company's operating segment consists only of lending activities which was winded down in 2015. As discussed in Note 1, the Company is in the process of applying with the SEC for the change of its principal purpose to a holding company.

5. Significant Accounting Judgments, Estimates and Assumptions

PFRS requires management to exercise judgments and make estimates that affect the amounts reported in the financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. The estimates and underlying assumptions are reviewed on an on-going basis. Actual results could differ from such estimates.

Judgments

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

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the Company operates.

Accounting for Operating Lease - Company as a Lessee. The Company, as a lessee, has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to ₱1.5 million in 2015 and nil in June 2016. (see Note 15).

Estimates

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

Estimating Allowance for Impairment of Receivables. The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

No Impairment loss on receivables on June 30, 2016 and December 31, 2015 (see Note 7). The carrying amount of receivables are as follows:

	Note	**June 2016**	December 2015
Note receivable	7	**₱327,409,660**	₱327,409,660
Loans receivable	7	–	–
		₱327,409,660	₱327,409,660

Estimating Useful Lives of Property and Equipment. The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

There is no change in the useful lives of the Company's property and equipment in 2016 and 2015. The carrying amount of property and equipment amounted to nil as at June 30, 20116 and December 31, 2015 (see Note 9).

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

No impairment loss was recognized in 2016 and 2015. The carrying amount of property and equipment amounted to nil as at June 30, 2016 and December 31, 2015 (see Note 9).

Estimating Retirement Liability. The determination of the Company's retirement obligation and costs is dependent on the selection by management of assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate.

Actual results that differ from the Company's assumptions are recorded as addition to or deduction from retirement liability and recognized in profit or loss or other comprehensive income. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement liability amounted to nil in June 30, 2016 and December 31, 2015(see Note 11).

Assessing Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets on certain deductible temporary differences and carry forward benefits of NOLCO and MCIT amounting to ₱16.2 million as at December 31, 2015 ₱12.3 million as at December 31, 2014 have not been recognized. Management believes that no sufficient future taxable income will be available in the near future against which the deferred tax assets can be utilized.

6. Cash

This account pertains to cash in bank amounting to ₱156,397 and ₱61,425 as of June 30, 2016 and December 31, 2015, respectively.

Cash in banks earn interest at bank deposit rates.

Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at prevailing short-term investment rates.

Interest income earned from cash in bank amounted to ₱639 in June 30, 2016 and ₱0.3 million in 2015 (see Note 14).

7. Receivables

Movement of the note receivable presented under noncurrent assets in the statement of financial position follows:

	Unaudited June 30, 2016	Audited December 31, 2015
Nominal amount	**₱327,409,660**	₱332,639,733
Day 1 difference:		
Day 1 loss	–	(11,870,527)
Accretion	–	6,640,454
	–	(5,230,073)
Carrying amount at end of year	**₱327,409,660**	₱327,409,660

Movements in the allowance for impairment account are shown below:

	June 30, 2016	Dec. 31, 2015
Balance at beginning of year	₱–	₱40,948,095
Provision	–	–
Reversal resulting from the exchange	–	(40,948,095)
Balance at end of year	₱–	₱–

8. Other Current Assets

This account consists of:

	June 30, 2016	Dec. 31, 2015
Creditable withholding tax	**₱2,278,937**	₱2,278,937
Advances to employees and clients	**2,000**	–
Prepayments	–	–
	₱2,280,937	₱2,278,937

9. Property and Equipment

Movements in this account are as follows:

	June 30, 2016	Dec. 31 2015
	Furniture, Fixtures and Office Equipment	
Cost		
Balance at beginning of year	₱–	₱3,526,443
Disposals		(3,526,443)
Balance at end of year	₱–	–
Accumulated Depreciation		
Balance at beginning of year	₱–	₱3,056,276
Depreciation	–	169,335
Disposals	–	(3,225,611)
Balance at end of year	–	–
Carrying Amount	₱–	₱–

In 2014, the Company sold its condominium units and furniture, fixtures and office equipment with carrying amounts of ₱11.1 million and ₱1.7 million, respectively, for ₱28.4 million resulting to a gain of ₱15.6 million.

On June 1, 2015, all of the Company's remaining property and equipment were sold at its carrying amounts.

10. Accrued Expenses and Other Current Liabilities

This account consists of:

		June 30, 2016	Dec. 31, 2015
Accrued expenses		**₱156**	₱252,733
Due to a related party	12	**1,494,557**	244,656
Statutory payables		–	16,556
		₱1,494,713	₱513,945

Accrued expenses include unpaid professional fees and other expenses that are expected to be settled within the next financial year.

11. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The retirement benefits are based on years of service and compensation during the last month of employment.

On June 25, 2015, the Company has terminated all of its employees due to cessation of operations and change in management.

Retirement Benefits

The retirement benefit cost (income) recognized in profit or loss included in salaries and employee benefits under "Expenses" account are as follows:

	2016	2015
Gain on curtailment	₱–	(₱2,948,625)
Current service cost		–
Interest cost		–
	₱–	(₱2,948,625)

Changes in the retirement liability recognized in the statement of financial position are as follows:

	2016	2015
Balance at beginning of year	₱–	₱3,186,978
Current service cost	–	–
Interest cost	–	–
Effect of curtailment	–	(3,186,978)
Balance at end of year	₱–	₱–

Remeasurement (gains) losses recognized follow:

	2016	2015
Through profit or loss:		
Gain on curtailment	₱–	(₱2,948,625)
Through other comprehensive income:		
Gain on curtailment	–	(238,353)
	₱–	(₱3,186,978)

The cumulative remeasurement losses recognized in other comprehensive income (loss) follows:

	2015		
	Cumulative Remeasurement Losses	Deferred Income Tax	Cumulative Remeasurement Losses, Net of Tax
Balance at beginning of year	(₱238,353)	(₱71,506)	(₱166,847)
Gain on curtailment	238,353	71,506	166,847
Balance at end of year	₱–	₱–	₱–

Principal assumptions used to determine retirement benefit cost and liability in 2014 are as follows:

Discount rate	4.9%
Rates of increase in compensation	8.0%

12. Related Party Transactions

Outstanding balance and transaction with a related party are as follows:

	Nature of Transaction	Amount of Transaction June 2016	2015	Outstanding Balance June 2016	2015
Due to a related party					
Under common control	Advances for working capital purposes	**₱1,494,557**	₱244,656	**₱1,494,557**	₱244,656

Outstanding balance which is included in "Accrued expenses and other current liabilities" account is noninterest-bearing, payable on demand and settlement occurs in cash.

Compensation of Key Management Personnel
Compensation of key management personnel consists of short-term benefits amounting to nil in June 30. 2016 and ₱2.7 million in December 31, 2015

13. Equity

Capital Stock
Capital stock consists of common shares as follows:

	June 30, 2016		2015	
	Number of Stocks	**Amount**	Number of Stocks	Amount
Common stock - ₱1 par value				
Authorized shares	**550,000,000**	**₱550,000,000**	550,000,000	₱550,000,000
Issued and outstanding:	**261,824,002**	**₱261,824,002**	261,824,002	₱261,824,002
		₱261,824,002		₱261,824,002

On July 24, 2013, the PSE approved the Company's application for the listing of its common stock. The approval covers the Company's initial listing up to 261,824,002 common shares with a par value of ₱1.00 per share at an offer price of ₱2.10 per share. The proceeds from the sale of the Company's listed shares amounted to ₱148.4 million for the 68,074,000 common shares offered to the public.

APIC
Of the total proceeds from the initial public offering (IPO), ₱74.3 million was recognized as APIC being the amount paid in excess of the capital stock's par value. Total share issuance costs deducted from APIC amounted to ₱6.1 million, net of tax.

Retained Earnings
On March 25, 2015, the Company declared cash dividends out of 2014 retained earnings of ₱0.47 per share on stockholders on record of April 15, 2015 amounting to ₱123.1 million. The dividends were paid on April 24, 2015.

14. Interest Income

This account consists of:

	Note	2016	2015
Cash and cash equivalents	6	**₱639**	₱292,635
OFW Financing program		–	25,436,940
Salary & emergency loans		–	1,715,758
		₱639	₱27,445,333

15. Expenses

This account consists of:

	Note	2016	2015
Professional fees		**₱380,559**	₱1,341,760
Representation		**41,500**	272,608
Communication and utilities		**15,000**	600,167
Salaries and employee benefits		–	9,421,595
Contractual services		–	780,014
Insurance		–	345,713
Dues and subscription		–	321,947
Office supplies		–	300,447
Marketing and collection		–	265,377
Depreciation	9	–	169,335
Transportation and travel		–	107,409
Legal and bank charges		–	50,780
Taxes and licenses		**500**	4,934,357
Others		**446,876**	13,685,509
		₱884,435	₱32,597,018

16. Earnings (Loss) Per Share

Earnings (loss) per share is calculated by dividing the net income attributable to stockholders of the Company by the weighted average number of ordinary shares in issue during the year. Estimated earnings per share follow:

	2016	2015
Net Loss	**(₱883,796)**	(₱3,267,945)
Weighted average number of common shares	**261,824,002**	261,824,002
Earnings per share	**(₱0.003)**	(₱0.012)

17. Financial Risk Management Objectives and Policies

General

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The

Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, receivables and accrued and other current liabilities (excluding statutory payables), which arise directly from its operations. The main risks arising from the use of these financial instruments are credit risk, liquidity risk, currency risk and market risk. Management reviews and approves the policies for managing each of these risks, which are summarized below.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash and cash equivalents (excluding cash on hand), receivables and note receivable.

Exposure to Credit Risk. The carrying amount of cash in banks, receivables and note receivable represent the Company's maximum exposure to credit risk in relation to financial assets.

Credit Risk Concentration Profile. The credit risk of the Company is concentrated in its note receivable.

Credit Quality. The credit quality of the Company's financial assets that are neither past due nor impaired are considered to be of high grade and expected to be collectible without incurring any credit losses.

The aging analyses of financial assets as at June 30, 2016 are as follows:

	June 2016				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	**Less Than 30 Days**	**31-60 Days**	**Past Due And Impaired**	**Total**
Cash	**₱156,397**	**₱–**	**₱–**	**₱–**	**₱156,397**
Note receivable	**327,409,660**	**–**	**–**	**–**	**327,409,660**
	₱327,556,057	**₱–**	**₱–**	**₱–**	**₱327,556,057**

	2015				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	Less Than 30 Days	31-60 Days	Past Due And Impaired	Total
Cash *	₱61,425	₱–	₱–	₱–	₱61,425
Note receivable	332,639,733	–	–	–	332,639,733
	₱332,701,158	₱–	₱–	₱–	₱332,701,158

**Excluding cash on hand*

Cash and cash equivalents are entered into with reputable financial institutions duly approved by the BOD.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The carrying amount of the accrued and other current liabilities (excluding statutory payables) as at June 30, 2016 and December 31, 2015 represents the contractual undiscounted cash flows and is payable on demand.

Fair Value of Financial Assets and Financial Liabilities
Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements:

	2016		2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents*	**₱156,397**	**₱156,397**	₱61,425	₱61,425
Loans receivable	**–**	**–**	–	–
Note receivable	**327,409,660**	**327,409,660**	327,409,660	327,409,660
	₱327,566,057	**₱327,566,057**	₱327,471,085	₱327,471,085
Financial Liabilities				
Accrued and other current liabilities**	**₱1,494,557**	**₱1,494,557**	₱497,389	₱497,389

**Excluding cash on hand*
***Excluding statutory payables*

Cash (excluding Cash on Hand), Loans Receivable and Accrued and Other Current Liabilities. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

Notes Receivable. The fair value approximates carrying value because the effective interest rate is comparable to prevailing market rates.

18. Capital Management Objectives, Policies and Procedures

Capital Management
The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by creating products and services commensurate with the level risk. The Company manages it capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or convert related party advances to an equity component item.

The Company monitors its capital using the debt to equity ratio, which is the total liabilities divided by the total equity.

	2016	2015
Total liabilities	**₱1,494,713**	₱2,506,081
Total equity	**328,352,281**	327,243,941
Debt-to-equity ratio	**0.005:1.0**	0.008:1.0

19. **Prior Period Adjustment**

The Company's financial statements as at and for the year ended December 31, 2015 were restated to take up the derecognition of deferred tax asset related to the allowance for impairment loss of receivables amounting to ₱12.3 million.