CR06076-2017

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, 2017
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
   16/F Citibank Tower, 8741 Paseo de Roxas, Makati City
   Postal Code
   1227
8. Issuer's telephone number, including area code
   (632)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	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, 2017
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2017	Dec 31, 2016
Current Assets	2,702,756	2,603,939
Total Assets	336,890,338	336,791,521
Current Liabilities	3,594,557	2,431,005
Total Liabilities	4,058,911	2,895,359
Retained Earnings/(Deficit)	-3,269,823	-2,205,088
Stockholders' Equity	332,831,427	333,896,162
Stockholders' Equity - Parent	-	-
Book Value per Share	1.27	1.28

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	441	85	502	639

Gross Expense	235,613	299,946	1,065,237	884,435
Non-Operating Income	-	-	-	-
Non-Operating Expense	-	-	-	-
Income/(Loss) Before Tax	-235,172	-299,861	-1,064,735	-883,796
Income Tax Expense	0	0	0	0
Net Income/(Loss) After Tax	-235,172	-299,861	-1,064,735	-883,796
Net Income Attributable to Parent Equity Holder	0	0	0	0
Earnings/(Loss) Per Share (Basic)	-0	-0	-0	-0
Earnings/(Loss) Per Share (Diluted)	-0	-0	-0	-0

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.02	-0.05
Earnings/(Loss) Per Share (Diluted)	0.02	-0.05

Other Relevant Information
NONE

Filed on behalf by:

Name	Joanna Manzano
Designation	Compliance Officer

COVER SHEET

A	2	0	0	1	1	5	1	5	1		

S.E.C. Registration Number

AG FINANCE, INCORPORATED

(Company's Full Name)

16TH FLOOR CITIBANK TOWER,

8741 PASEO DE ROXAS

MAKATI CITY

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

Rolando S. Santos

Contact Person

(632) 831-44-79

Company Telephone Number

1	2		3	1

Month *Day*

SEC FORM 17-Q

FORM TYPE

Last Wednesday of May

Month *Day*

Annual Meeting

Registered & Listed

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

			1	7

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

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 **30 June 2017**

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 Code: ______ (SEC Use Only)

7. Address of issuer's principal office 16/F Citibank 8741 Paseo de Roxas Makati city Postal Code **1227**

8. Issuer's telephone number, including area code **(02)833-0769 Fax 856-7976**

9. Former name, former address and former fiscal year, if changed since last report **Not Applicable**

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 [ ]

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PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

The unaudited Financial Statement of AG Finance Incorporated as of June 30, 2017 and for three-month period ended June 30, 2017 with comparative audited figure as of December 31, 2016 are in compliance with generally accepted accounting principles and 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, 2017 and December 31, 2016

	June 30, 2017 Unaudited (₱'000)	Dec. 31, 2016 Audited (₱'000)	June 30, 2017 vs. Dec. 31, 2016 Amount Increase (decrease) (₱'000)	Percentage Increase (decrease)
Current assets	**₱2,703**	₱2,604	₱99	3.79%
Noncurrent assets	**334,188**	334,188	–	–
Total Assets	**₱336,891**	₱336,792	₱99	0.03%
Current liabilities	**₱3,595**	₱2,432	₱1,164	47.86%
Noncurrent liabilities	**464**	464	–	–
Total Liabilities	**4,059**	2,896	1,164	40.20%
Stockholders' Equity	**332,832**	333,896	(1,065)	(0.32%)
Total Liabilities and Stockholders' Equity	**₱336,891**	₱336,792	₱99	0.03%

Summary of Income Statements for the six months and three months period ended June 30, 2017 and 2016.

	For six months ending June 30		**For three months ending June 30**	
	2017 (₱'000)	2016 (₱'000)	**2017 (₱'000)**	2016 (₱'000)
Interest Income	**₱1**	₱1	**₱1**	₱1
Other Operation Expense	**(1,066)**	(884)	**(236)**	(584)
Loss Before Tax	**(1,065)**	(883)	**(235)**	(583)
Tax Expense	–	–	–	–
Net loss for the period	**(₱1,065)**	(₱883)	**(₱235)**	(₱583)

Summary of Statement of Cash Flows for the six months period ending June 30, 2017 and June 30, 2016.

	For six months ending June 30		For three months ending June 30	
	2017	2016	**2017**	2016
	(₱'000)	(₱'000)	**(₱'000)**	(₱'000)
Cash (used) provided in operating activities	**₱99**	₱95	**₱310**	₱(54)
Cash in banks December 31, 2016	**325**	61	**114**	210
Cash in banks June 30, 2017	**₱424**	₱156	**₱424**	₱156

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

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.

On June 26, 2015, the company disclosed that on June 25, 2015 Mr. Tony O. King and his family, that they have sold to RYM Business Management Corporation 183,276,801 common shares or 70% of AG Finance through a block sale for ₱280.00 million or approximately ₱ 1.53 per share.

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. On April 7, 2017 the Company Corporate name to Ferronoux Holdings, Inc. disclosed that it will change it.

On June 30, 2015, the Company ceased its lending activities.

Results of Operation

The following discussion and analysis is based on the unaudited interim financial statements for six months period ending June 30, 2017 and 2016.

Six Months Ended June 30, 2017 Compared with the Six Months Ended June 30, 2016 (Increase/Decrease of 5% or More)

Interest Income

Interest income were ₱0.5 thousand or the six months ended June 30, 2017 compared to ₱0.6 thousand for the same period in 2016, a decrease of ₱0.1 thousand or 21%. The decreased is due to lower bank deposit this period.

Other Operating expenses
Other Operating expenses were ₱1.07 million for the six months ended June 30, 2017 compared to ₱0.88 million for the same period in 2016, an increase ₱0.18 million or 20%. The increase mainly due to the payment of taxes and licenses for the period.

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%.

Three Months Ended June 30, 2017 Compared with the Three Months Ended June 30, 2016 (Increase/Decrease of 5% or More)

Interest Income
Interest income were ₱0.44 thousand or the three months ended June 30, 2017 compared to ₱0.09 thousand for the same period in 2016, an increase of ₱0.35 thousand or 80%. The increase is due to higher bank deposit this period.

Other Operating expenses
Other Operating expenses were ₱0.24 million for the three months ended June 30, 2017 compared to ₱0.30 million for the same period in 2016, a decrease of ₱.06 million or 21% is mainly due to higher professional fees paid last year.

Statements of Financial Position

The significant changes in the Statement of Financial Position accounts during the six months ended June 30, 2017 compared to December 31, 2016 are as follows:

Total assets were ₱336.9 million as of June 30, 2017 compared to ₱336.8 million for the same period in 2016, an increase of ₱0.1 million or 0.03%. The increase in cash in banks was due to advances from Bright Kindle Resources and Investments, Inc. amounting to ₱1.5 million pesos.

Total Liabilities increased by ₱1.16 million or 40.19% from ₱2.4 million to ₱4.05 million mainly due to advances from Bright Kindle Resources and Investments, Inc.

Total Equity decreased by ₱1.07 million or 0.32% is mainly due to net loss for the interim period.

Statements of Cash Flows

The net cash provided in operating activities amounted to ₱99.3 thousand for the six months ended June 30, 2017 compared to net cash provided last year amounted ₱94.9 thousand. 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

As a result, the cash as at June 30, 2017 and 2016 amounted to ₱0.42 thousand and ₱0.16 thousand, respectively.

Horizontal and Vertical Analysis

	Unaudited June 30, 2017	Audited 2016	Increase (Decrease) Amount	Percentage
ASSETS				
Current Assets				
Cash in banks	**₱423,819**	₱324,502	₱99,317	30.61%
Other current assets	**2,278,937**	2,279,437	(500)	(0.02%)
Total Current Assets	**2,702,756**	2,603,939	98,817	3.79%
Noncurrent Assets				
Note receivable	**334,187,582**	334,187,582	–	–
	₱336,890,338	₱336,791,521	₱98,817	0.03%
LIABILITIES AND EQUITY				
Current Liabilities				
Accrued expenses and other current liabilities	**₱3,594,557**	₱2,431,006	₱1,163,551	47.86%
Non-current Liabilities				
Deferred tax liabilities	**464,354**	464,354	–	–
Total Liabilities	**4,058,911**	2,895,360	1,163,551	40.19%
Equity				
Capital stock	**261,824,002**	261,824,002	–	–
Additional paid-in capital	**74,277,248**	74,277,248	–	–
Deficit	**(3,269,823)**	(2,205,089)	(1,064,734)	48.29%
Total Equity	**332,831,427**	333,896,161	(1,064,734)	(0.32%)
	₱336,890,338	₱336,791,521	₱98,817	0.03%

FINANCIAL INDICATORS

	As of June 30, 2017	As of June 30, 2016
Net loss	**1,064,735**	883,796
Quick assets	**423,819**	156,397
Current assets	**2,702,756**	2,437,334
Total assets	**336,890,338**	329,846,994
Current liabilities	**3,594,557**	1,494,713
Total liabilities	**4,058,911**	1,494,713
Stockholders'equity	**332,831,427**	328,352,281
Number of common shares outstanding	**261,842,002**	261,842,002

Current Ratio1/	**0.75:1.00**	1.63:1.00
Debt to Equity Ratio2/	**0.012:1.00**	.005:1.00
Asset to Equity Ratio3/	**1.01:1.00**	1:1.00
Return on Assets4/	**(0.003)**	(0.003)
Return on Equity5/	**(0.003)**	(0.003)
Book Value per share	**1.27 per share**	1.25 per share

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*
6/ *Total common stockholder's equity divided by Number of common shares*

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 0.75:1.00

b.
Quick Ratio
Quick asset / Total Current Liabilities = 0.12:1.00

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 = 0.003

b.
Return on Assets
Net loss / Average Total assets = 0.003

c.
Asset to Equity Ratio:
Total Assets / Ave. Stockholders' Equity = 0.99:1.00

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 11, 2017

By:

Signature: ______________________

ROLANDO S. SANTOS

Title: Treasurer

Signature: ______________________

LESTER LAURENCE S. BAGUEC

Title: Accountant

AG FINANCE INCORPORATED

(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF FINANCIAL POSITION

	Note	**Unaudited June 30, 2017**	Audited 2016
ASSETS			
Current Assets			
Cash in banks	4	**₱423,819**	₱324,502
Other current assets		**2,278,937**	2,279,437
Total Current Assets		**2,702,756**	2,603,939
Noncurrent Asset			
Note receivable	5	**334,187,582**	334,187,582
		₱336,890,338	₱336,791,521

LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	6	**₱3,594,557**	₱2,431,005
Noncurrent Liability			
Deferred tax liability		**464,354**	464,354
Total Liabilities		**4,058,911**	2,895,359
Equity			
Capital stock		**261,824,002**	261,824,002
Additional paid-in capital		**74,277,248**	74,277,248
Deficit		**(3,269,823)**	(2,205,088)
Total Equity		**332,831,427**	333,896,162
		₱336,890,338	₱336,791,521

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,**		Three months ended June 30,	
		2017	2016	**2017**	2016
INCOME					
Interest income	8	**₱502**	₱639	**₱441**	₱85
EXPENSES	9	**(1,065,237)**	(884,435)	**(235,613)**	(299,946)
LOSS BEFORE INCOME TAX		**(1,064,735)**	(883,796)	**(235,172)**	(299,861)
PROVISION FOR INCOME TAX		–	–	–	–
NET LOSS		**(₱1,064,735)**	(₱883,796)	**(₱235,172)**	(₱299,861)
BASIC/ DILUTED LOSS PER SHARE	10	**(₱0.004)**	(₱0.003)	**(₱0.001)**	(₱0.001)

See accompanying Notes to Financial Statements.

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND JUNE 30, 2016

	Note	**Unaudited June 30, 2017**	Unaudited June 30, 2016
CAPITAL STOCK - ₱1 par value	10		
Authorized - 550,000,000 shares			
Issued and outstanding -			
261,842,002 shares		**₱261,824,002**	₱261,824,002
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of quarter		**74,277,248**	74,277,248
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of quarter		**(2,205,088)**	(6,865,173)
Net loss		**(1,064,735)**	(883,796)
Balance at end of the quarter		**(3,269,823)**	(7,748,969)
		₱332,831,427	₱328,352,281

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,	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(₱235,173)**	(₱299,861)
Adjustments for:			
Interest income		**(61)**	(85)
Operating profit before working capital changes		**(235,234)**	(299,946)
Increase other current asset		–	(2,000)
Increase in accrued expenses and other current liabilities		**544,828**	247,745
Net cash used in operations		**309,594**	(54,201)
Interest received		**61**	85
Net cash provided (used) in operating activities		**309,655**	(54,116)
CASH AT BEGINNING OF PERIOD		**114,163**	210,513
CASH AT END OF PERIOD		**₱423,818**	₱156,397

See accompanying Notes to Financial Statements.

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

STATEMENT OF CASH FLOWS

		Six months period ended June 30	
	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(₱1,064,735)**	(₱883,796)
Adjustments for:			
Interest income		**(502)**	(639)
Operating profit before working capital changes		**(1,065,237)**	(884,435)
Decrease (increase) in other current asset		**500**	(2,000)
Increase accrued expenses and other current liabilities		**1,163,551**	980,768
Net cash generated from (used in) operations		**98,814**	94,333
Interest received		**502**	639
Net cash provided by operating activities		**99,316**	94,972
CASH AT BEGINNING OF PERIOD		**324,502**	61,425
CASH AT END OF PERIOD		**₱423,818**	₱156,397

See accompanying Notes to Financial Statements.

AG FINANCE INCORPORATED
(A Subsidiary of RYM Business Management Corp.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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 were listed in the Philippine Stock Exchange (PSE) on August 13, 2013. As at December 31, 2016 and 2015, 261,824,002 shares of the Company are listed in the PSE.

On June 25, 2015, RYM Business Management Corp. (RYM or the Parent Company) acquired 183,276,801 shares representing 70% interest in the Company from various stockholders.

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

The financial statements of the Company as at and for the years ended December 31, 2016 and 2015 (with comparative figures and information in 2014) were approved and authorized for issue by the Board of Directors on April 7, 2017.

Status of Operations

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements 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, issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Measurement Bases

The financial statements are presented in Philippine Peso (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 on a historical basis. Historical cost is generally based on the fair value of the consideration given in exchange of an asset.

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 transaction date.

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.

Further information about the assumptions made in measuring fair value is included in Note 15, Financial Risk Management Objectives and Policies.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2016:

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

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

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

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

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting 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 no longer be necessary for there to be 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.

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

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

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

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. 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.

Initial Recognition. Financial assets and liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

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) investments. 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.

"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.

As at December 31, 2016, 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 investments or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve 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 in banks 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 includes accrued expenses and other current liabilities (excluding statutory payables).

Derecognition of Financial Assets and Liabilites

Financial Assets. 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.

When 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 value of the asset and the maximum amount of consideration that the Company could be required to pay.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the separate statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying value is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and liabilities are offset and the net amount reported in the statements 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 statements of financial position.

Impairment of Financial Assets
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.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company 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. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying value of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, 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. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Other Current Assets
Other current assets primarily include creditable withholding taxes (CWT).

CWT. CWT are amounts withheld from income subject to expanded withholding taxes. CWT 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.

Property and Equipment
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 value 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 with estimated useful lives of 3-5 years for furniture, fixtures and office equipment.

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.

Impairment of Property and Equipment

Nonfinancial assets consisting of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income.

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, had no impairment loss been recognized for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over remaining useful life.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are treated as deduction from equity, net of tax.

APIC. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC.

Deficit. Deficit represents the accumulated net income or loss, less any 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 Income. 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.

Expenses Recognition

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 value 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 rate 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.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income 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 earnings (loss) per share is calculated by adjusting the weighted average number of capital stock outstanding to assume conversion of all dilutive potential ordinary shares.

Where the earnings (loss) per share effect of potential dilutive capital stock would be anti-dilutive, basic and diluted earnings (loss) per share 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.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

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.

3. Significant Judgments, Accounting Estimates and Assumptions

PFRS requires management to exercise judgments and make estimates and assumptions that affect the amounts reported in the financial statements. The judgment and estimates and assumptions 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.

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 nil million in June 30, 2017 and 2016.

Determining Operating Segments. The Company determines and presents operating segments based on the information that is internally provided to the BOD. As at December 31, 2016 and 2015, the Company has determined that it has no operating segment other than being a holding company.

Estimates and Assumptions
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.

Impairment loss on loan receivable amounted to nil in June 30, 2017 and 2016 (see Note 5).

As at June 30, 2017 and December 31, 2016, the Company has not provided any allowance for impairment losses for note receivable. This assessment is undertaken each financial year through examining the financial position of the counterparty and the market in which the counterparty operates.

The carrying amount of note receivable amounted to ₱334.2 million at June 30, 2017 and December 31, 2016 (see Note 5).

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.

Assessing Impairment of Property and equipment. The Company assesses impairment on property and equipment 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.

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.

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 were not recognized on temporary differences and carry forward benefits of unused NOLCO and MCIT as at June 30, 2017 and December 31, 2016 because the management has assessed that there will be no sufficient taxable profits against which deferred tax assets can be utilized.

4. Cash in Banks

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱502 and ₱799 in June 30, 2017 and 2016, respectively (see Note 8).

5. Note Receivable

On May 5, 2015, the Company's outstanding loans receivables with carrying amount of ₱344.2 million, net of allowance for impairment loss of ₱40.9 million, were exchanged for a five-year note receivable with a nominal amount of ₱332.6 million, resulting to a loss of ₱11.6 million.

The note receivable was initially recognized with a Day-1-difference of ₱11.9 million. The Day-1-difference is being amortized over the term of the note of five years.

Movements of this account follows:

	Note	June 30, 2017	2016
Nominal amount		**₱320,769,206**	₱332,639,733
Day-1-difference		**–**	(11,870,527)
		320,769,206	320,769,206
Accretion of interest:	11		
Balance at beginning of year		**13,418,376**	6,640,454
Accretion		**–**	6,777,922
Balance at end of year		**13,418,376**	13,418,376
		₱334,187,582	₱334,187,582

6. Accrued Expenses and Other Current Liabilities

This account consists of:

		June 30, 2017	2016
Due to a related party	9	**₱3,594,357**	₱2,044,457
Accrued expenses		**–**	369,600
Statutory payables		**200**	16,948
		₱3,594,557	₱2,431,005

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

7. Related Party Transactions

Outstanding balance and transaction with related parties are as follows:

Related Party Under Common Control

	Nature of Transaction	Amount of Transaction June 30 2017	Amount of Transaction December 2016	Outstanding Balance June 30 2017	Outstanding Balance December 2016
Due to a related party					
Bright Kindle Resources & Investments, Inc.	Advances for working capital	**₱1,550,100**	₱1,799,801	**₱3,594,557**	₱2,044,457

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

Key Management Personnel

Compensation of key management personnel consists of short-term benefits amounting to nil in June 30, 2017 and 2016.

8. Interest Income

This account consists of:

	Note	June 30, 2017	June 30, 2016
Accretion	5	**₱–**	₱–
Cash in banks	4	**502**	639
Loans receivable	5	**–**	–
		₱502	₱639

9. Expenses

This account consists of:

Six months ended January to June:

	June 30, 2017	June 30, 2016
Taxes and licenses	**₱492,292**	₱500
PSE fees	**288,960**	283,360
Professional fees	**123,200**	380,559
Outside services	**60,697**	78,200
Directors fee	**60,000**	82,026
Representation	**5,000**	41,500
Transportation and travel	**238**	–
Communication and utilities	**–**	15,000
Others	**34,850**	3,290
	₱1,065,237	₱884,435

Three months ended April to June:

	2017	2016
Professional fees	**₱102,613**	₱195,759
Directors fee	**60,000**	70,261
Outside services	**50,000**	30,000
Taxes and licenses	**17,813**	–
Others	**5,188**	3,925
	₱235,614	₱299,945

10. **Earnings (Loss) Per Share**

Basic and diluted earnings (loss) per share is computed as follows:

	June 30, 2017	June 30, 2016
Net loss	**(₱1,064,735)**	(₱883,796)
Weighted average number of common shares	**261,824,002**	261,824,002
Loss per share – basic and diluted	**₱0.004**	₱0.003

There has been no transaction involving common shares or potential common shares that occurred subsequent to the reporting dates.

11. **Financial Risk Management Objectives and Policies**

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 Risks

The Company's financial instruments consist of cash in banks, note receivable and accrued expenses 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 and liquidity 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 in banks and note receivable.

Credit Quality. Credit risk arising from the inability of counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. With respect to credit risk arising from the Company's financial assets the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments.

The aging analyses of financial assets are as follows:

	June 30, 2017				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due And Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	**₱423,819**	**₱–**	**₱–**	**₱–**	**₱423,819**
Note receivable	**334,187,582**	–	–	–	**334,187,582**
	₱ 334,611,401	**₱–**	**₱–**	**₱–**	**₱ 334,611,401**

	2016				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due And Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	₱324,502	₱–	₱–	₱–	₱324,502
Note receivable	334,187,582	–	–	–	334,187,582
	₱ 334,512,084	₱–	₱–	₱–	₱ 334,512,084

**Excluding cash on hand*

	June 30, 2017				
	Neither Past Due Nor Impaired			Past Due and	
	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	**₱423,819**	**₱–**	**₱–**	**₱–**	**₱423,819**
Note receivable	**334,187,582**	–	–	–	**334,187,582**
	₱334,611,401	**₱–**	**₱–**	**₱–**	**₱334,611,401**

	2016				
	Neither Past Due Nor Impaired			Past Due and	
	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱324,502	₱–	₱–	₱–	₱324,502
Note receivable	334,187,582	–	–	–	334,187,582
	₱334,512,084	₱–	₱–	₱–	₱334,512,084

Cash in banks 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 December 31, 2016 and 2015 represents the contractual undiscounted cash flows and is payable on demand.

Fair Value Measurement

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

	June 30, 2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash in banks	**₱423,819**	**₱423,819**	₱324,502	₱324,502
Note receivable	**334,187,582**	**334,187,582**	334,187,582	346,153,126
	₱334,611,401	**₱334,611,401**	₱334,512,084	₱346,477,628
Financial Liabilities				
Accrued and other current liabilities*	**₱3,594,557**	**₱3,594,557**	₱2,414,057	₱2,414,057

**Excluding statutory payables amounting to ₱5,372 and ₱16,948 as at March 31, 2017 and December 31, 2016, respectively.*

Cash in Banks and Accrued and Other Current Liabilities. The carrying values of cash in banks and accrued and other current liabilities approximate their fair values due to the short-term nature of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (significant unobservable inputs).

Note Receivable. The fair value of the Company's note receivable was computed using the credit adjusted risk-free rate of 3.67% to 3.90% as at December 31, 2016 and 2015, respectively.

12. 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 of risk. The Company manages its 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.

There has been no change made in the objectives, policies and process in June 30, 2017 and 2016.