COVER SHEET

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S.E.C. Registration Number

FIRST ABACUS FINANCIAL
HOLDINGS CORPORATION

(Company's Full Name)

E-2902D EAST TOWER PSE CENTER
EXCHANGE ROAD PASIG CITY

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

ATTY. BAYANI K. TAN

Contact Person

634-5104-10

Company Telephone Number

1	2		3	1

Month Day

Fiscal Year

SEC FORM 17-A

Form Type

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A (Annual Report)

1. For the year : December 31, 2006

2. SEC Identification Number : ASO94-001420

3. BIR Tax Identification Number: 043-003-507-219

4. Exact name of the registrant as specified in its charter:
   FIRST ABACUS FINANCIAL HOLDINGS CORPORATION

5. Pasig City, Philippines
   Province, Country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code

7. Unit -E3001 PSE Center, Exchange Road, Pasig City — 1605
   Address of the principal office — Postal Code

8. Registrant's telephone number, including area code
   (632)632-79-86/634-51-04/10

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

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.00 par value	1,193,200,000 shares

11. Are any or all these securities listed on the Philippine Stock Exchange?

    Yes (x) No ( )

12. Check whether the registrant

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code(SRC) and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes (x) No ( )

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

    Yes (x) No ( )

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 2007 : ₱537,104,480

a)	Total number of shares held by non-affiliates as of March 31, 2007	:	671,380,600
b)	Closing price of the Registrant's shares on the Exchange As of March 31, 2007	:	P0.80
c)	Aggregate market price (a x b) as of As of March 31, 2007	:	₱537,104,480

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENT PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the SRC subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ()   No ( )   (Not Applicable)

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

First Abacus Financial Holdings (FAFHC) traces its roots from the Seven Seas Oil Exploration and Resources, Inc. (SSOERI). Seven Seas was incorporated on February 15, 1994 and became a publicly listed company on November 21, 1994. It was primary engaged in the business of oil exploration and development. Presently, FAFHC is engaged in, through its wholly subsidiaries, stockbroking activities, investment banking, real estate business and other financial services.

Realizing that the local capital and equities markets have a pivotal role in the long-term development of the national economy, the board of directors decided to change SSOERIS's primary purpose from being an oil exploration company into a financial holding company. Thus, on October 26, 1996, the SSOERI's stockholders approved the recommendations of the board to transform the firm. Consequently, on January 25, 1996, the Securities and Exchange Commission (SEC) approved the Company's change of name from Seven Seas Oil Exploration and Resources, Inc. to First Abacus Financial Holdings Corporation. The SEC like wise approved on January 25, 1996 the change on par value of FAFHC's capital stock from Php0.01 to Php 1.00 a share to remove the issue's speculative characteristic and reflect the stock's shift into a full-fledged commercial/industrial issue.

The Company's first strategic corporate re-alignment move was to acquire the Abacus Capital & Investment Corporation (ACIC)- an operating investment house- via a cash and stock swap. ACIC effectively became a wholly owned subsidiary. ACIC, in turn, owned 100% of Abacus Securities Corporation (ASC), one of the leading members of the Philippine Stock Exchange, and Vista Holdings Corporation (VHC), a real estate holding company.

The Company, through ASC, also acquired 25% of Prosperity Properties and Management Corporation (PPMC), used to own a 16-storey building at the Ayala Business Park in Cebu City. In 1996, the Company acquired from its subsidiaries - ACIC and ASC- interests in VHC and PPMC. This resulted in a direct investment in these companies. In 1999, upon approval by the Securities and Exchange Commission of the increase in authorized capital stock of ASC from Php50 million divided into 500,000 shares with a par value of Php100 per share to Php400 million divided into 4 million shares with Php100 par value per share, the Company subscribed to 3.5 million shares representing 87.525% ownership interest. The remaining 12.475% remained with ACIC. Accordingly, the Company's ownership over ASC was changed from 100% indirect to 87.525% direct and 12.475% indirect.

Subsidiaries

Abacus Capital and Investment Corp(ACIC). ACIC was incorporated on January 6, 1995. ACIC is engaged in investment banking activities, management services, and treasury and other financial services.

Abacus Securities Corporation(ASC). ASC was incorporated on December 27, 1991. A member of the Philippine Stock Exchange, ASC is engaged in stock brokering services. It engages in buying and selling stocks in Philippine stock market for the accounts of the clients as a broker and for its own account as a dealer.

Vista Holdings Corporation(VHC). VHC was incorporated on January 21, 1993. Presently, Vista Holdings Corporation is engaged in buying and leasing out condo units primarily to its affiliated companies.

FAFHC's Vision

FAFHC's vision is to provide best value integrated financial services to its clients. In the process, Filipinos from all walks of life are enabled to become a part of the capital and equities market. Toward this end, progress and prosperity have stronger prospects of being shared by all.

Abacus Capital and Investment Corporation (ACIC)

ACIC is financially secure, with capital resources of over 400 million; complemented by a core of investment managers providing highly ethical, professional, and client-oriented investment management services.

ACIC provides the following financial services:

a) **Corporate Finance**

Equity Underwriting Transactions

- Initial Public Offerings
- Stock Rights Offerings
- New Tranche Offerings
- Private Placements of Listed Companies

Financial Advisory

- Share or corporate acquisitions, Buy-Ins/Mergers/Divestments
- Financial review and Restructuring
- Project Development

Debt Underwriting and Loan Arrangements

- Short, Medium, or Long Term Loan Arrangements
- Short and Long Term Commercial Papers Underwriting
- On-going oversight, issue management, agency functions

b) **Treasury sales**

- Government Securities
- Treasury Bills
- Long and Short Term Commercial Papers
- Preferred Notes
- Promissory Notes
- Money Market Placements

c) **Financing**

- Share Margin
- Working Capital Credit Facilities

Abacus Securities Corporation (ASC)

ASC was the recipient of the Best Securities House in the Philippines Award granted by the EuroMoney International Awards for Excellence for the past two consecutive years, 1998 and 1999. Likewise, the Fund Managers Association of the Philippines honored ASC with a number of citations including Best in Institutional Sales/ Execution and in Settlements in 1998. The awards put ASC in an enviable position as it proved that local stockbrokerages could prove equal to international stockbroker houses.

ASC started operations in March 1992. In five years, ASC established itself as a top Filipino brokerage firm in PSE. The key factors for ASC's successes are: professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

All these resulted in a strong retail franchise, a top tier domestic institutional sales organization, and growing foreign institutional sales based. Thus, ASC is now positioned to best serve the expanding domestic equities market . Strategically located branches in Binondo, Cebu and Davao support ASC's Head Office operations.

Abacus Securities Corporation was the second ranking stock brokerage house among the top ten PSE brokers. In past years, the large foreign stockbrokerage houses dominated the top ten list of brokers. ASC believes that it can effectively compete with other brokers because of its strong sales groups, the Retail and Institutional Teams. At present, the firm has one of the most extensive based of retail clients driven by the number of branches established and envisioned to be established. Its Institutional Sales Team, on the other hand, has managed to obtain accreditation and establish active working relationships with a number of domestic institutional investors and foreign fund management companies. ASC also has a Research Group that comes out with action-driven reports and recommendations, a quality admired by most of its clients, and even other stockbrokers. The registrant has an excellent customer service to service its clients. The company established a website to keep its clients abreast of the new developments in stock market.

For the year ended 2007, Abacus Securities Corporation ranked 11th in terms of total value traded.

Vista Holdings Corporation (VHC)

The primary purpose of the Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell (without engaging in retail trade), assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description.

VHC continues with its investment program through the acquisition of condominium units. At present, VHC leases its condominium units its affiliated companies.

Vista is not involved in real estate development.

VHC continues to lease its condominium units to its affiliates. The acquisition of condominium units was put on hold, as property market has not significantly improved.

The Contribution of each services or line of business	Amounts (In mio)
Brokers Commissions	P99.0
Interest income	84.2
Management fees and others	61.1

Total	P244.3

Competition

The direct competitors of the Company and its subsidiaries are companies engaged in stock brokering business and are members of the Philippine Stock Exchange; companies engaged in investment banking, financial, management services, and treasury operations; companies and individual owners of condominium units within the area of Ortigas Center, as properties are located in the Philippine Stock Exchange Center Condominium. The indirect competitors of the Company and its subsidiaries are Financing Institution, Growth Funds, Pension and Pre-need Companies.

The consistent exemplary performance comes as a result of the company's steadfast commitment to deliver the best value to customers through professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

The Company is now positioned to best serve the expanding domestic equities market . Its branches are now strategically located in Binondo, Cebu and Davao to support the Company's Head Office operations.

Customers

The Company's market for its financial products and services include both retail and institutional customer base. No data is available for brokers commission contributed by foreign nationalities as to the regional market. It must be noted that brokers commissions derived from the marketable securities were all transacted through the Philippine Stock Exchange.

The market for the Company's property development and leasing is primarily the upper income level market.

The Company and its wholly owned subsidiaries are not dependent upon a single customer or few customers. The Company and its subsidiaries do not have a customer that has over 20% or more of the Company's turnover.

Distribution methods of the product services

The Company and its subsidiaries distribute its services to its clientele by or through:

- Certified Sales Representative (CSR) who are licensed by the Securities and Exchange Commission to transact to the clients on the Company's stock broking business.

- Corporate Finance Group is our top caliber professionals in charge in our investment banking, management and financing activities.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts.

- License granted by the Securities and Exchange Commission (SEC) to Abacus Capital & Investment Corp. as an Investment House.
- License granted to Abacus Securities as a broker and dealer of Securities which is renewable every year

Aside from the above licenses granted, the registrant and its subsidiaries have no pending applications that need for any government approval.

Employees

As of April 15, 2007, the Company and its operating subsidiaries employ 60 permanent employees.

Type Employees	# of Employees	No. of Additional Employees for Ensuing 12 Mos. *	Collective Bargaining Agreement(CBA)	Supplemental Benefits or other incentives
Operations	21	None	N/A	None
Corporate Finance	4	2	N/A	None
Administrative	9	None	N/A	None
Sales	16	2	N/A	None
Accounting & Finance	10	1	N/A	None
Total	60	5		

For the past three years, the Company and its subsidiaries have not experienced any strike or threat of strike from its employees.

Government Approval of Principal products or Services

No existing application needs for government approval

Amount Spent for Research and Development Activities

None

Cost and effects of Compliance with Environmental Laws

Not Applicable

Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The risk management activities at the level of each Company in the Group is coordinated with the Parent Company, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to-medium cash flows by minimizing the exposure to financial markets. Long-term financial instruments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the Group is exposed to are described in note 19 of the Company's Consolidated Financial Statements.

Item 2. Properties

The following properties are in prime condition directly owned by the Company and its subsidiaries:

Approximately 110 square meters of office space located at Federal Towers, Binondo (through Vista Holdings Corporation). The unit is being occupied by a subsidiary, Abacus Securities Corporation. The lease agreement was renewed for two (2) years and will expire December 31, 2008. The monthly rental is Forty Eight Thousand Three Hundred Fifteen Pesos (₱48,315).

Approximately 940 square meters of office space located at the 29th Floor of the East Tower of the Philippine Stock Exchange Center (through Vista Holdings Corporation). The unit is being leased by a subsidiary, Abacus Securities Corporation, for a period of two (2) years. The lease agreement will end December 31, 2005 with a monthly rental of Four hundred twelve thousand eight hundred seventy six pesos (₱412,876).

Approximately 483 square meters of office space located at the 29th Floor of the East Tower of the Philippine Stock Exchange Center (Direct).

All properties, as stated above, are owned by First Abacus Financial and its wholly owned subsidiaries. All of the Condominium Units stated above were used by the registrant and its subsidiaries to secure the group's bank loans. No limitations have been set by the banks on the properties collateralized, except that when the properties are to be disposed of, proper notice has to be sent to the banks prior its disposal.

The company has no intention of acquiring/leasing additional properties.

Item 3. Legal Proceedings

Except as provided in item 9 of the report, the Company is not aware of any material proceeding involving the issuer and its directors, executive officers, underwriter or control person during the past five (5) years.

Item 4. Submission of Matters to Vote of Security Holders

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of 2006.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's common equity and related stockholder matters

1) **Market Information**

The shares of the Company are listed in and traded on the Philippine Stock Exchange. The high and low closing prices for each quarter within the last two(2) fiscal years are as follows:

Applicable Quarter	2006		2005	
	High	Low	High	Low
First Quarter	0.74	0.50	0.55	0.40
Second Quarter	0.55	0.41	0.50	0.30
Third Quarter	0.75	0.40	0.75	0.32
Fourth Quarter	0.80	0.40	0.74	0.50

As of the close of trading hours of March 31, 2007, the price at which the Registrant's shares were traded at Php.80 per share.

2) Holders

The number of ***common shares*** issued and outstanding as of December 31, 2006 was 1,193,200,000. As of December 31, 2006, Registrant had 170 shareholders, on the said date the following were the top 20 shareholders:

Name	Class	# of Shares Held	% to Total
PCD Nominee Corp.- Filipino	Common	563,811,000	47.252
Soo, Paulino S.	Common	133,000,000	11.1465
Abacus Cap. & Invt. Corp.	Common	112,191,000	9.4026
Abacus Securities Corp.	Common	100,000,000	8.3808
PCD Nominee Corp- Foreign	Common	49,130,000	4.1175
ACIC FAO 20001	Common	32,361,000	2.7121
Limtong, Manuel	Common	29,980,000	2.5126
Limtong, Edgardo	Common	28,527,000	2.3908
Phee Bon Kang	Common	20,000,000	1.6762
Chiongbian, Albert S.	Common	19,350,000	1.6217
Vista Holdings	Common	14,095,000	1.1813
Pedro, Cecilio	Common	12,260,000	1.0275
Soo, Jimmy S.	Common	10,010,000	0.8389
Lim, Robert	Common	10,000,000	0.8381
Titra International	Common	8,000,000	0.6705
Co Chien, Vicente Jr.	Common	6,130,000	0.5137
Roket Realty	Common	6,130,000	0.5137
Soo, Elizabeth	Common	6,000,000	0.5028
Gothic, Sales	Common	6,000,000	0.5028
Total		1,166,975,000	97.80

3) Dividends

No dividends, either in cash or stock were declared on the shares for the last two (2) fiscal years, i.e. 2006 and 2005. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

4) Recent sales of Unregistered Securities

No unregistered securities or shares of the Company were sold during the last three (3) years (2006, 2005, and 2004).

Item 6. Management's Discussion and Analysis or Plan of Operation

2006

General Business Environment

The year 2006 was a defining moment for the Philippine economy.

After a decade of gloom brought about by a number of exacerbating factors that included the Asian contagion, the series of political crises, and the onslaught of natural calamities, the inherent strength of the country's economic fundamentals eventually asserted itself as broad-based positive results were marked in practically all sectors. Key indicators all posted significant improvements buoyed by increased investor confidence in the country. Inflation was maintained at single digits levels even despite record high domestic oil prices.

Riding on the back of record high remittances from overseas Filipino workers as well as generally higher exports and investment inflows, the National Government has been able to finally reign in the fiscal deficit and showed better performance in fiscal management. As a result, the country's Gross International Reserves reached a new record-high level enabling the country to pre-pay some of its foreign loans. Consequently, the peso has continued to appreciate as market sentiment continued to be positive.

All these augured well for the Philippine capital markets, and for the Company, both of which posted exemplary performance in 2006.

Results of the Operation

Mirroring the performance of the Philippine economy, we are happy to report that this year, the Company and its subsidiaries are reporting generally positive operating results also after years of reporting losses.

For the year under review, the Company is reporting a breakthrough in is performance with a net income of Php23.3 million, significantly reversing last year's loss of Php82.9 million. The Company's turnaround from the being in red to the much-awaited recovery is attributed to the robust performance of the financial stock market, aided in great part by the series of deals which the Company and its affiliates realized in 2006.

In 2006, the company and its subsidiaries generated total revenues of Php278 million, a remarkable increase of 70% over the Php163 million recorded in 2005. Abacus Securities Corporation, our brokering house, reported Php99 million in commissions, representing an increase of 128% over the Php43.4 million made in 2005. On the other hand, Abacus Capital and Investment Corporation, our investment house, posted Php84.2 million in interest income and Php61 million in management fees, representing an increase of Php12 million and Ph17.2 million, respectively, over 2005 levels.

The increase in revenues is noteworthy for several reasons. First, the percentage of increase surpassed even the growth of the local capital market. Second, we are finally seeing a steady growth in the company's management and financial advisory business. The Company intends to harness the full potentials of these two promising sources of competitive advantage. The Company expects to sustain this upward trend in the coming years, and consequently, derive even more significant revenues from these areas.

As can be expected in a vibrant investing climate that saw increased volumes of transactions, the Company recorded slight increases in terms of costs and expenses. Total cost and expenses in 2006 amounted to Php246.8 million as compared to Php238.2 million last year. However, the Company expects operating expenses to plateau as it continues to put in place mechanisms to control overall spending without sacrificing efficiency and effectiveness.

The company's consolidated assets amounted to Php1,969.8 million in 2006 from Php1,712.5 million in the previous year, representing an increase of Php257.3 million. The increase was brought about by the additional purchases of financial assets available for sale and at fair value through profit and loss amounting to Php138.4 million, the increase in total receivables amounting to Php122.8million due to accrual of some fees and interest, partially offset by the slight decrease in investment properties due to depreciation of Php2.3 million. Our total liabilities increased by Php190 million from Php1,582.7 million to Php1,772.7 million this year. The increase was due to the additional borrowings, recorded short-term payables to trade customers, stockholders and other parties.

The increase in the stockholders' equity of the company was brought by the result of the operations for this year amounting to Php23.2 million and the changes in fair value of available for sale financial assets amounting to Php40 million.

Outlook for 2007

2007 is an election year and some turbulence is predicted to emerge from the political front. These, however, are not expected to significantly derail the forward momentum of the national economy and the anticipated and long-awaited bull rum in the capital market. Liquidity is expected to reach an all-time high and investor confidence in the country is anticipated to increase further. The outlook for 2007 continues to be positive and the country is expected to sustain the gains achieved in 2006.

The Company is resolutely intent in maintaining its forward momentum, building on the breakthroughs it achieved in 2006. To do this, the Company intends to leverage on the strategic advantages it has successfully put in place and nurtured through the years.

The company will continue to focus on three key emerging challenges in going forward: 1) further strengthen its resilience against any short-term vulnerabilities in the business and political environment; 2) fortify its ability to generate revenues from traditional as well as new business lines; and 3) strategically position the company towards a more sustained and consistent growth path.

In order to shield the Company from short-term vulnerabilities, the Company intends to continue with the strategies that has enabled it to weather the difficulties of the last seven years. These include fully leveraging on the loyalty and goodwill of various institutional and retail clientele, which the company has successfully managed to hold on to all these years. At the same time, the Company intends to continue being lean and cost-effective in order to maintain the health of its balance sheets. The Company shall continue to keep operating expenses down by maintaining a lean organization and through prudent spending. The Company shall continue to shore up its solid infrastructure derived out of the synergy among technology, customer service, and professionalism in order to retain its leadership position in the market.

To further invigorate the Company's business prospects, the Company shall embark on a more aggressive campaign to increase revenues by increasing market share and pursuing new business opportunities. On this account, the Company shall continue to put in place aggressive marketing strategies to attract a bigger share of the surging investment market. Second, the Company shall aggressively pursue non-traditional business lines particularly business and financial advisory and consulting. This remains a highly viable and promising area for the company and to date, the company is engaged in negotiations with foreign partners.

And on the third challenge, the Company is determined to pursue fiscal consolidation and strategically manage its remaining debts in the next three years; and in so doing, put the company firmly on track out of the vicious cycle it has found itself in the last few years. The major factor that is weighing down on the company's performance remains to be debt servicing and without it, the company should have been out of the woods as early as four years ago. The Company shall continue to sustain the reverse momentum by completing the remaining agenda for fiscal and other structural reforms and thereby enhance the company's ability to absorb further shocks.

Although the Company remains susceptible to external forces, particularly, the vagaries of the Philippine economic and investing climate, there are promising indicators that the worst is indeed over. A source of optimism is the company's continued hold on a bigger market share, the continuing high stature of the company in the market, and the growth in traditional and new business lines.

The Company expects 2007 to be a very challenging and fulfilling year. The Company shall strive to surpass its performance in 2006, drawing strength and inspiration from the continuing loyalty of its customers, and the dedication and commitment of its officers and staff.

Key Performance Indicators

The following are the major performance measures that the Company uses. Analyses are employed by comparison and measurement on a consolidated basis based on the financial date on the periods indicated below:

	December 31 2006	December 31 2005
Liquidity: Current Ratio	90%	85%
Coverage/Solvency ratios: Total Stockholders' Equity to Total Assets	10%	7.6%
Total liabilities to Total Assets	90%	92.4%
Operating Efficiency: **Inc. (Dec.)** Revenue Growth	70%	31%
Net Income (loss)	128%	-22.48%

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

Key Performance Indicator	Formula
Current Ratio	Current assets/Current liabilities
Stockholder's Equity Ratio	Stockholder's equity/Total assets
Total liabilities to Total Assets	Total liabilities/Total assets
Revenue Growth	Current period total revenues- Prior Period total revenue/ Prior Period total revenue
Net income/loss Growth	Current Period Net Income- Prior Period Net Income/Prior Period Net Income

The following matters are not applicable to the Company for the period covered by this report:

- (i) Events that will trigger a direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation
- (ii) Material off-balance sheet transactions, arrangements or obligations, including contingent obligations
- (iii) Material commitments for capital expenditures
- (iv) Material changes from period to period of Financial Statements
- (v) Seasonal aspects that have a material effect on the Financial Statements.

2005

The Philippine Economy and the Local Stock Market

Without doubt, 2005 was a very challenging year for the Philippines. In her State of the Nation address delivered to Congress in July of 2005, Philippine President Gloria Macapagal-Arroyo summed up the challenge by drawing parallels between what she called were the two pictures of the country: one on the verge of an economic takeoff, the other deeply mired in destructive politics. This summation captured the events of the year.

While the country had to contend with spiraling oil prices, rising global interest rates, lower farm output, and other non-economic tremors, GDP recorded a 5.1% clip while GNP expanded by 5.7%. Weak exports and a decline in investments were the main factors that contributed to the lower-than-expected figures. Services such as business process outsourcing and telecommunication remained on the uptake and served as key growth drivers. As usual, OFW remittances contributed greatly to the economy with remittances soaring to P10.7 billion, 25% better than 2004 levels. Due in large part to unstable oil prices, average inflation for the year was 7.6 percent, significantly above the target range of 5-6 percent. On a truly heartwarming note, the Philippine peso ended 2005 as the top performing currency in the Asian region.

Good news on the economic front, however, was temporarily sideswiped by political turbulence following allegations of wrongdoing against the President. Subsequently, members of the government's economic team resigned. The government however was able to regroup and reconsolidate its strengths towards the end of the year and succeeded in keeping fiscal improvements on track. Impeachment charges against the President were subsequently dismissed by Congress in September although political uncertainties continued to be a cause for concern.

The local stock market continued its upward trend in 2005 as the country's fiscal programs progressed and the strength of the country's economic fundamentals was proven resilient. The market however experienced a bumpy ride as investors' reactions seesawed between favorable news and unfavorable events in the national scene. Nevertheless, the PSEi was still able to register a 15% gain in 2005. With the exception of JCI's 16.2% rise, the Philippine index managed to outperform other markets in the region, particularly Straits (+13.6%), SET (+6.8%), and KLCI (-0.,8%).

The Performance of the Company

The Company's performance in 2005 hewed closely to the trends in the macro environment described above since the company's business lines are inextricably linked to the performance of the local capital market. We are proud to report that significant improvements in the core business lines of the Company were noted in 2005 although fluctuations in the market continued to weigh down on the performance of the company. At the same time, the Company had to contend with new operational standards particularly in accounting procedures with the full adoption this year of the Philippine Financial Reporting Standards (PFRS) as required by the Securities and Exchange Commission of all reporting companies.

Despite the rather unpredictable business environment and the presence of countervailing factors, the Company was able to hit most of its financial indicators. The Company is still managing for the long-term, and on this note, the long-term viability of the company has remained secure. The company and its subsidiaries generated total revenues of Php161.1 million for the year, a remarkable 31% increase over the Php123 million made in 2004. Our operating subsidiaries, Abacus Securities and Abacus Capital were the main contributors to the increase in this year's revenue. Abacus Securities, our brokering house reported Php43.4 million in commissions, an increase of 37% over last year's Php31.6 million. Abacus Capital, our investment house, posted Php72.2 million in interest income and Php43.8 in management fees, representing an increase of Php10.3 million and Ph15.4 million respectively over last year.

The increase in revenues are noteworthy for several reasons. First, the percentage of increase surpassed the growth of the local capital market. Second, we are finally seeing a steady growth in the company's management and financial advisory business. The Company intends to harness the full potentials of these two promising sources of competitive advantage. The Company expects to sustain this upward trend in the coming years, and consequently, derive even more significant revenues from these areas.

On the cost and expenses side, the company recorded a slight increase in terms of total amounts. The minimal increase in operating expenses is normal for given the increased, and increasing volume of transactions of the company. Total cost and expenses this year amounted to Php194.8 million as compared to Php186.9 million last year. The increase in total amount of cost and expenses is also attributed to the increase in borrowing cost to finance the Company's short-term investing activities and working capital requirements. However, the Company expects operating expenses to plateau as it looks for better ways to be efficient without sacrificing effectiveness.

Despite valiant efforts to reverse the trend of the past few years, the company is reporting a consolidated net loss of Php82.9 million, a considerable improvement over last year's recorded loss of Php107 million. It must be noted, however, that the loss is inclusive of some provisions on Impairment of Asset in compliance with adoption of the new accounting standards. Without the adjustments on account of the New Accounting Standards, the net loss of the company would have amounted to only Php41.7 million. But based on year-on-year analysis, the upward trend has been sustained and the company expects its net loss position to decline significantly in 2006, and hopefully, stay clear of the woods by next year.

The Company remains very resolute in its intent to turn the company's financial performance around. Thus, some strategic decisions continue to be made in order to sustain the company's competitiveness and in keeping with our thrust of managing for the long-term.

Thus, in 2005, the company's consolidated assets amounted to Php1,712.5 million in 2005 from Php1,663.7 million in the previous year, representing an increase of Php48.8 million. This was brought about by the increase in receivables of Php34 million, due to accrual of some fees and interest, and increase in cash due to additional short-term borrowings, partially offset by the decreases in investment properties, property and equipment, and deferred tax assets. Our total liabilities increased by Php131.3 million from Php1,451.4 million to Php1,583 million this year. The increase was due to the additional borrowings, recorded short-term payables to trade customers, stockholders and other parties.

Expectedly, the Company is reporting a decrease in its equity precisely because of the reported net loss for this year and the full adoption of all relevant Philippine Financial Reporting Standards or PFRSs for the first time in the Company's consolidated financial statements.

2004

The Philippine Economy and the Local Stock Market

While the year 2004 generally yielded better results in the economic and political fronts, the whole year was wracked with uncertainty and lingering pessimism. For the second straight year, the benchmark, Phisix, posted solid gains on the back of the peaceful and largely credible electoral exercise in May. Gloria Macapagal-Arroyo won a mandate and the market cheered the prospect of political stability over the following six years. As has always been the case during election periods, the stock market ended the year on a bright note.

The Phisix registered a 22.6% gain in 2004, with most of the appreciation coming during the latter half of the year as election jitters were slowly put to rest. Relative to the overall improvement of most Asian stocks, the Phisix performed comparably well. The Jakarta Composite Index emerged as the top Asian performer for 2004 with a 38% rise in value. The Bangkok SET, on the other end, was the worst stock market in the region, which posted a 16% decline.

The Philippine economy showed some signs of growth with GDP recorded at 6.1% year-on-year. The strong growth was broad-based as all major sectors contributed to the economy's upturn. Healthy crop production propelled the agriculture sector's growth to 4.9% year-on-year. Meanwhile, the recovery of the construction sub-sector, as a result of the nascent property market, boosted the industry segment's performance. The thriving call center industry, on the other hand, served as the key driver for the services sector. The country's GDP growth figure could have been better had crude prices went on unabated during the second half. Its ill-effects were felt in the last quarter which pulled down 4th quarter GDP growth to 5.4% year-on-year – as opposed to more than 6% in the first three quarters.

Corporate fundamentals were also largely on track until oil prices rose incessantly in the latter half of 2004. Election years have historically been beneficial to consumer companies. Ironically for this period, consumer firms were the worst performers due mainly to the spike in energy costs.

Meanwhile, the government continued to grapple with the increasing probability the country will fall into a fiscal crisis. Major rating agencies are poised to downgrade the Philippines' credit standing unless Congress is able to pass more revenue-enhancing bills. Nevertheless, 2004 managed to address some hurdles. Progress was achieved in efforts to privatize the assets of the National Power Corp. with the sale of the 600MW Masinloc power plant for $562 million. Others will be on the auction block this year and it is expected that they can raise over a billion dollars for the government. And most importantly, the Supreme Court recently paved the way for increased investments in the mining industry as it legitimized Republic Act 7492. This will prove to be a catalyst for development over the next few years and, together with the pick-up in other sectors, should help drive the composite index higher over the course of 2005.

The Performance of the Company

The company's performance in 2004 mirrored that of the country. In general, the company's performance showed some improvements over the previous years, but the inherent problems in the market and in the economy continued to weigh heavily on the company's performance. At the same time, the company had to cope with new operational standards particularly in accounting procedures. All told, however, despite the countervailing factors, we are proud to report that the long-term viability of the company remains solid. The company and its subsidiaries generated total revenues of Php123 million for the year, a decrease of 9.5% from last year's Php136 million. However, revenues derived from brokering services, management and underwriting fees reached Php60million, representing a significant improvement of 55% compared to the Php38.7 made in 2003. This was a welcome development as this revenue source is a major contributor to the company's performance in the long-term. We expect this upward trend to continue in the coming year, and consequently, even more significant revenues from this area.

On the other hand, interest income generated by our investment house during the year amounted to Php62 million as compared o the Php68.3 million made in the earlier year. The decrease in total revenues of the group for this year as compared to last year's figure was brought about by the non-cash recovery its short-term marketable securities of Php20.2 million in previous year as compared to this year's recovery of only Php2.4 million.

On a very positive development, the company has achieved considerable success in the area of bringing down cost and expenses. In 2004, our consolidated cost and expenses amounted to Php186.9 million as compared to last year's last year Php187 million. This year's cost and expenses figure of Php186.9 million include our non-cash provision for non-realizability of deferred exploration cost under GSEC57 contract amounting to Php15.4 million. Without the provision, the group should have registered a decrease of the total cost and expenses by Php 15.4 million. This could be attributed to serious and earnest efforts to bring down the cost and expenses of the company without sacrificing the quality and integrity of its services and operations.

Despite valiant efforts to reverse the trend of the past few years, the company is reporting a consolidated net loss of Php107 million. It must be noted, however, that the loss is inclusive of some provisions which could be realized in the next operating years due to adoption of New Accounting Standards like the Income Taxes and Impairment of Asset.

Although the company is still reporting an overall negative result, we take pride in noting that in an environment where simple survival was the norm, the Company did more by not only containing losses but by actually stemming the flow. Considering that the Company is managing for the long term, the consistent reduction on a year to year basis is a testament to the Company's strong commitment to protect the welfare of its various stakeholders. The Company sees its overall performance as an inevitable but short-term consequence and can be likened to the metaphor of swallowing the bitter pill today in order to achieve good health tomorrow.

The Company remains very resolute in its intent to turn the company's financial performance around. Thus, some strategic decisions continue to be made in order to sustain the company's competitiveness and in keeping with our thrust of managing for the long-term. Since debt servicing accounts for a major share of the Company's costs and expenses, the Company is pursuing efforts to bring down its loans.

Thus, in 2004, the company's consolidated assets amounted to Php1,663.7 million in 2004 from Php1,686.7 million in the previous year, representing a decrease of Php23 million. This was brought about by the decrease in short and long term investments and other assets, partially offset by the increase in accounts receivables from uncollected fees from management and underwriting fees and additional accrual on interest on loans receivable. Our total liabilities increased by Php93.8 million from Php1,356 million to Php1,450 million this year. The increase was due to the additional recorded short-term payables to trade customers, stockholders and other parties.

Expectedly, the Company is reporting a decrease in its equity precisely because of the reported net loss for this year and the adoption of new accounting standards like SFAS 28/IAS28- standards on accounting and reporting for investments in associates and required the use of the equity method in the valuation of its investment in the Company, SFAS12/IAS12- Accounting Standards for Income taxes, and SFAS36/IAS36- Accounting Standards on Impairment of Assets. Accordingly, the financial statements of the Company have been restated. The effect of this change in 2002 was the recognition of equity in net loss of an associate in the amount of Php11.8 million and the decrease in the Company's previously reported equity by Php63.6 million. While for 2004, total effect of the new standards in the Company's bottomline amounted to Php45.7 million. Total equity stands at Php212.3 million from last year's Php330.7 million.

The Company is optimistic that its financial performance will further improve in the next few months. For 2005, the company will actively pursue its four-pronged strategic thrusts. These are: 1) increase revenues through aggressive efforts to increase market share; b) increase revenues through intensified efforts to tap into new revenue streams particularly in management and financial advisory services; c) bring down cost and expenses without sacrificing the integrity of its processes and the quality of customer service; and d) pay off it outstanding loans and decrease debt servicing which is the major factor weighing down on the company's performance. The Company firmly believes that with a stable investing climate, these strategies will yield positive results that will turn the company's performance around.

As we write this report, a number of positive developments in the market have been noted. The market has shown dramatic improvements and a number of initial public offerings have been made. The investing climate is buoyed by the prospect of a more stable political and economic environment. These developments augur well for the company's strategic plans of taking advantage of the upturns of the market. Because the company has continued to keep faith in the local capital market through the long bearish period and has not let go of its people and its clientele, it is better positioned to take advantage of the promises of a better investing climate.

However, the Company will continue to intensify efforts to bring down costs and expenses without sacrificing the integrity and the efficiency of its business processes, particularly in customer service delivery. As has been shown in the last four years, the Company will double efforts to decrease outstanding loans, and subsequently, interest cost and expenses. Debt servicing still account for almost 50% of cost and expenses and without it, the Company's performance would have been reversed as early as four years back. The Company will continue to conduct its business with honor, and shall fulfill its commitments.

The Company will intensify its efforts to tap into new revenue streams within and outside the financial services sector. The Company is ready to conduct marketing campaigns designed to generate renewed interest in the capital markets among institutional and retail clients. It has also reactivated stockbrokers who have gone into other businesses in the last few years while recruitment of new stockbrokers is underway. At the same time, the company is strengthening its financial and management advisory services, taking advantage of its core of professional expertise. A number of breakthrough deals in financial and management advisory services, which have been in the works in the last year, are finally in the pipeline, and are expected to be consummated in the next few weeks. These should provide new and steady revenue streams which will be key in the company's turnaround.

Even despite the surges in the market, the Company shall continue to be lean without sacrificing our ability to provide the best value to our customers. The company's trading volumes have increased sizably but we shall continue to deliver our various services in the usual efficient and friendly way that we have been renowned for, thereby ensuring the continuing patronage and loyalty of our customers and the addition of new clients. We believe that because the company has remained true to its customers during the long dry spell, they too will continue to support us through the expected upturns of the market.

As in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

For the years 2004, 2005, and 2006, the auditing firm of Punongbayan and Araullo was nominated and appointed by the Board of Directors to conduct the examination of the financial statements of the Company and its Subsidiaries. In compliance with the SEC Memorandum Circular No. 8 Series of 2003, the assignment of Ms. Lily Linsangan, the engagement's partner, shall not exceed five (5) consecutive years.

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

The audit and audit-related fees paid by the Company in the last two (2) years are as follows:

		2006	2005
A. Audit and Audit-related Fees			
1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements.		₱1,314,000	₱1,195,000
2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements		-0-	-0-
B. Tax fees		₱0	₱0
C. All other fees		-0-	-0-

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee. Engagement Agreements are executed for every type of engagement, which provides for the scope of the work, timetable, fees, engagement team, etc. for each project.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The names and ages of all incumbent Directors, elected on September 28, 2006 during the Annual Stockholders Meeting and are to serve for a term of one (1) year until their successors shall have been elected and qualified, with their business experiences for the past five (5) years:

Position	Name	Citizenship	Age	Year of Assumption of Office	No. of Years as Director
Chairman	Paulino S. Soo	Filipino	56	1994 to present	11
President	Jack T. Huang	Filipino	53	1995 to present	10
Treasurer	Vicente Co Chien, Jr.	Filipino	54	1995 to present	10
Director	Jimmy S. Soo	Filipino	49	1995 t o present	8
Corp. Sec.	A. Bayani K. Tan	Filipino	53	1994 to present	11
Independent Directot	Ma. Therese G. Santos	Filipino	48	Sept 2006 - present	7 months
Assistant Corporate Secretary	Alma C. Santiago	Filipino	32	1995 to present	1 yr. and 7 months

Mr. Paulino. Soo
Chairman and Chief Executive Officer

Mr. Soo holds a Master in Business Administration degree from the University of Pittsburgh Graduate School of Business and Bachelor of Science degree in Industrial Management Engineering from the De La Salle College. He is also the Chairman of Philippine Gaming & Management Corporation. He is also the President of Abacus Securities Corporation and Abacus Capital & Investment Corporation.

Mr. Jack T. Huang
President

Mr. Huang holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He is concurrently a director of Abacus Capital & Investments Corporation and Abacus Securities Corporation. He is a director and President of Cebu Business Continuos Forms.

Mr. Vicente Co Chien, Jr.
Treasurer

Mr. Co Chien holds a Bachelor degree in Business Economics from Hongkong Shuen Yan College. He is the President of South Sea Surety and Insurance Co., Berkley Medical Systems, and Health Link Corporation, Loumont Trading & Development Corporation, Sunup Investment Corporation, Alucon International, Inc. and Lamoiyan Corporation.

Mr. Jimmy S. Soo
Director

Mr. Soo has been a director of the Company since 1995. He is a director of Abacus Capital and Investment Corp., Abacus Securities Corp., and Vista Holdings Corporation. He is also Managing Partner of Soo, Gutierez, Leogardo and Lee Law Offices.

Mr. A. Bayani K. Tan
Corporate Secretary and Director

Mr. Tan is a Director and Corporate Secretary of the Company. He is also currently a Director, Corporate Secretary or both of the following reporting companies: Belle Corporation, Sinophil Corporation, TKC Steel Corporation, iVantage Corporation, Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Destiny Financial Plans, Inc., Philequity Fund, Inc., Philequity Money Market Fund, Inc., Philequity PSE Index Fund, Inc., and Philequity Dollar Income Fund., Inc. He is the Managing Partner of Tan Venturanza Valdez and also a Director, Corporate Secretary, or both, of private companies such as Sterling Bank of Asia Inc, Belle Bay City Corporation, Oakridge Properties, Inc. and Herway, Inc. Mr. Tan is a member of the Philippine Bar and holds a Master of Laws degree from New York University, School of Law (1988), Bachelor of Laws degree from the University of the Philippines (1980) and a Bachelor of Arts from San Beda College (1976).

Ms. Ma Therese G. Santos
Independent Director

Ms. Ma. Therese G. Santos is the Chairman of the Audit and Compliance Committee of the Company. She is also the Chairman of the Audit and Compliance Committee and Compensation and Remuneration Committee of Music Semiconductors Corporation. Ms. Santos has been an independent Management Consultant by profession since 1997. She was the former Vice President for Treasury and Administration of Music Corporation. Ms. Santos was the Director of Finance for United Development Corporation. Ms. Santos received a Bachelor of Science Degree in Chemical Engineering from the University of the Philippines, an MBA from the same school where she graduated in the top 10 of her class and was on the dean's list. Ms. Santos was elected as one of the Directors during the last stockholders meeting of the Company on September 28, 2006.

Atty. Alma C. Santiago
Asst. Corporate Secretary

Atty. Santiago is the incumbent Assistant Corporate Secretary of the Corporation. She is the Corporate Secretary of iRemit, Inc. and Philequity Management, Inc. and the Assistant Corporate Secretary as well of Tagaytay Highlands Community Condominium Association and Tagaytay Midlands Community Homeowners' Association, Inc. She is a member of Integrated Bar of the Philippines and holds a B.A. Economics Degree and a Juris Doctorate Degree in Law both from Ateneo De Manila University.

FAMILY RELATIONSHIP

Paulino S. Soo, Chairman of the Board, is the brother of Jimmy S. Soo, Director

There are no other significant employees.

Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, A. Bayani K. Tan. The cases filed include:

(i) A Complaint for Syndicated Estafa (docketed as I.S. No. 02-50443-F) which was ***dismissed*** on 18 June 2003 by the City Prosecutor of Mandaluyong City for lack of probable cause and which dismissal was affirmed on 26 May 2004 by the Department of Justice on a Petition for Review filed by the complainants therein;

(ii) A criminal case for Estafa and Large-Scale Swindling (docketed as Criminal Case No. Q02-114052) before the Regional Trial Court (RTC) of Quezon City. This case was ***dismissed*** by the RTC in its Omnibus Order dated 29 November 2005, which dismissal was affirmed with finality on 22 February 2007 by the RTC due to complainant's failure to file a proper notice of appeal within the prescribed period.

(iii) Civil actions for breach of contract and/or annulment of contract, specific performance, quieting of title and reimbursement, damages with request for receivership and preliminary attachment (Civil Case Nos. MC03-075, MC03-077, and MC04-082) before the RTC of Mandaluyong City, which cases have been settled and the RTC Mandaluyong has on 08 February 2006, promulgated a Joint Decision approving the Settlement Agreement, Supplemental Agreement, and Second Supplemental Agreement re: Civil Case Nos. MC03-077 and MC04-082. RTC Mandaluyong noting the settlement of Civil Case Nos. MC03-077 and MC04-082 has likewise issued an Order dated 18 May 2006 re: Civil Case No. MC03-075 holding that the aforementioned settlement agreement likewise puts an end to Civil Case No. MC03-075, as it involves substantially similar factual antecedents, and holding further that the complaint and counterclaims of the parties are withdrawn with prejudice.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, executive officers, underwriter or control person were involved during the past five (5) years:

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,

(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

Item 10. Executive Compensation

(1) General

All Compensation Covered

Except for executive officers included under the compensation table below, all other executive officers and directors do not receive salaries.

(2) Summary of Compensation Table

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2006 and 2005 and to be paid in the ensuing fiscal year 2007 to the Company's Chief Executive Officer and four (4) other mostly highly compensated executive officers who are individually named, and to all other officers and director of the Company as a group:

Name and Principal Function	Fiscal Year	Salary	Bonus	Other Annual Compensation
Paulino S. Soo Chairman and CEO	2005 2006 2007			
Jack T. Huang President	2005 2006 2007			
Schubert Caesar C. Austero VicePresident/HRM	2005 2006 2007			
Sheila Marie Aguilar Vice President	2005 2006 2007			
Melanio C. Dela Cruz Vice President	2005 2006			

	2007			
Total for the Group	2005 2006 2007	2,357,904 2,894,160 3,120,312	392,931 482,360 520,052	-0- -0- -0-
All Officers As A Group Unnamed	2005 2006 2007	3,552,107 4,031,728 4,371,648	592,015 671,954 728,608	-0- -0- -0-

(3) **Compensation of Directors**

(A) Standard Arrangement

The Member of the Board of Directors are not entitled to receive salaries and bonuses

(B) Other Arrangements.

None

(4) **Employment Contracts and Termination of Employment and Change-in Control Arrangements.**

None

(5) **Warrants and Options Outstanding :**

None

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. **Security Ownership (more than 5%) of Certain Beneficial Owners and Management as of December 31, 2006.**

Class	Name and Address record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Owner	Citizenship	No. of Shares Held	Percentage Of Class
Common	PCD Nominee Corp. 2nd Floor Makati Stock Exchange Bldg. Ayala Avenue Makati City		Filipino	563,811,000	47.2520
Common	**Abacus Capital and Invt. Corp.(record and beneficial); subsidiary and stockholder 29th Floor East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	112,191,000	9.40
Common	Paulino S. Soo (record and beneficial) Chairman and President 29th Floor Abacus Securities Corp. East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	133,000,000	11.15
Common	**Abacus Securities Corp.(record and beneficial); subsidiary and stockholder 29th Floor East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	100,000,000	8.38
Total				*909,002,000*	*76.182*

There is no arrangement that may result in a change in control of the registrant and any voting trust holders

*PCD Nominee corporation ("PCDNC") is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants, who hold the shares in their own behalf or in behalf of their clients. Individual or Group owners reported under PCD Nominee Corporation have less than 10% ownership of the outstanding capital stock of the Corporation.

There are no Individuals or Corporate stockholders who own more than 5% of the Company's voting securities under PCD Nominee Corporation.

** Mr. Paulino S. Soo, Chairman and President of Abacus Capital and Investment Corporation and Abacus Securities Corporation, directs the voting/disposition of shares held by both Companies.

1. **Security Ownership of Management**

The following is a summary of the beneficial holdings of the Company's Directors and Executive Officers as of December 31, 2006:

Class	Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership[record (r) or beneficial (b)]		Percent of Class
Common	Paulino S. Soo	Filipino	133,000,000	r / b	11.15
-do-	Jack T. Huang	Filipino	500,000	r / b	0.04
-do-	Jimmy S. Soo	Filipino	10,010,000	r / b	0.84
-do-	Vicente Co Chien	Filipino	6,130,000	r / b	0.51
-do-	A. Bayani K. Tan	Filipino	100,000	r / b	0.01
-do-	Ma. Therese G. Santos	Filipino	10,000	r / b	.000
-do-	All directors and Executive Officers as group unnamed		149,750,000	r / b	12.55

2. **Voting Trust Holders of 5% or More**

There is no voting trust or similar arrangement

3. **Changes in Control**

There are no arrangements that may result in a change of control of the registrant and no change of control occurred during the year.

Item 12. Certain Relationship and Related Transactions

Except as provided below, during the last two years, there are no related transactions either direct or indirect with the Company's Board of Directors.

In the normal course of business, the Company grants to and obtains advances from its affiliates. These advances earn interest at rates to the weighted average of the interest rates of the outstanding loans payable to the banks.

There are no transactions with any promoter nor are there any assets to be acquired from a promoter.

Registrant has no parent.

PART IV - CORPORATE GOVERNANCE

The Company has been monitoring compliance with SEC Memorandum Circular No.2, Series of 2002, as well as other relevant SEC Circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is not aware of any non-compliance with or deviation from its Manual of Corporate Governance. The Company will continue to monitor compliance with the Sec Rules on Corporate Governance, and shall remain committed in insuring the adoption of other systems and practices of good corporate governance to enhance its value for its shareholders.

PART V- EXHIBITS AND SCHEDULES

a) **Exhibits**

(Please see supplemental financial statements schedules).

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in the City of _____________ on ____________________, 2007.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
Issuer

By:

PAULINO S. SOO
Chairman and Chief Executive Officer

JACK T. HUANG
President

VICENTE CO CHIEN, JR.
Treasurer

A. BAYANI K. TAN
Corporate Secretary

JIMMY S. SOO
Director

MELANIO C. DELA CRUZ
Vice President - Controller

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY PASIG CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN TO before me this 27 APR 2007 2007 affiants exhibiting to me their Community Tax Certificate (CTC), as follows:

NAMES	CTC NUMBER	DATE OF ISSUE	PLACE OF ISSUE
PAULINO S. SOO	18129318	01.16.07	PASIG CITY
JACK T. HUANG	04030277	01.19.07	CEBU CITY
VICENTE CO CHIEN	18129355	01.15.07	PASIG CITY
JIMMY S. SOO	04869699	04.04.07	MANILA
MELANIO C. DELA CRUZ	08129321	01.16.07	PASIG CITY

Doc. No. 208
Page No. 40
Book No. LXVII
Series of 2007.

ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
PTR NO. [illegible]
IBP NO. [illegible]
DATE ISSUED JAN. 2, 2007
ISSUED AT QUEZON CITY
VALID UNTIL DEC. 31, 2007
TIN NO. 144-519-066

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE BASIC FINANCIAL STATEMENTS

The Board of Directors and Stockholders
First Abacus Financial Holdings Corporation and Subsidiaries
Unit 2904-A, Philippine Stock Exchange Centre
Exchange Road, Ortigas Centre,
Pasig City

We have audited the financial statements of First Abacus Financial Holdings Corporation and Subsidiaries (the Group) for the year ended December 31, 2006, on which we have rendered our report dated March 30, 2007. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of the Group as of December 31, 2006 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Lilian S. Linsangan**
Partner
CPA Reg. No. 0046660
TIN 109-228-234
PTR No. 0267683, January 2, 2007, Makati City
SEC Accreditation No. 0008-AR-1
BIR AN 08-002511-3-2005 (Dec. 27, 2005 to 2008)

March 30, 2007

First Abacus Financial Holdings Corporation
SEC Supplementary Schedules[1]
December 31, 2006

Table of Contents

1 Under SEC Rule 68.1, public companies are required to submit only the schedules that are relevant to the company considering the specific requirements for each schedule.

2 Indicate N/A if the schedule is not applicable. For purposes of this Illustrative FS, schedules marked N/A are also presented at the end of this Appendix to provide engagement teams with the templates for the said schedules (see pages 8 and 9).

First Abacus Financial Holdings Corporation
Schedule A - Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)
December 31, 2006

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
AAH	5,525	2,984	2,984	
Atok Big Wedge Co., Inc. 'A'	816	3,182	3,182	
Abacus Cons. Res. & Hldg. A	769,700	6,158	6,158	
Abacus Cons. Res. & Hldg. B	1,177,700	9,422	9,422	
ABS-CBN Broadcasting Corp.	19,135	387,484	387,484	
ABS-CBN Holdings, Corp.	236,293	4,784,933	4,784,933	
Ayala Corp	7,810	4,607,900	4,607,900	
Alsons Consolidated, Res., Inc.	2,413	1,568	1,568	
Aboitiz Equity Ventures, Inc.	140,728	985,096	985,096	
Alliance Global Group, Inc.	10,300	87,550	87,550	
AGP Industrial Corporation 'A'	806	-	-	
AGP Industrial Corporation 'B'	629	-	-	
AJ	300,000	-	-	
Ajo.Net Holdings, Inc.	1,107,490	66,449	66,449	
Ayala Land Inc. - B	12,574	191,754	191,754	
Alaska Milk Corporation	264,597	979,009	979,009	
A. Soriano Corporation	568,053	1,618,951	1,618,951	
APC Group, Inc.	104,692	38,736	38,736	
Alcorn Gold Res. Corp.	548,466,168	5,484,662	5,484,662	
Anglo Phil. Holdings Corp.	4,313,534	4,831,158	4,831,158	
Apex Mining Co., Inc. A	64,368	386,208	386,208	
Apex Mining Co., Inc. B	38,395	230,370	230,370	
Abra Mining and Industrial Corp.	4,043,573	48,523	48,523	
Araneta Property	5,170	2,533	2,533	
Asiatrust Dev't Bank	24,853	183,912	183,912	
Atlas Cons. Mining & Devt Corp.	47,478	460,537	460,537	
Asian Terminals, Inc.	357,229	1,464,639	1,464,639	
ATN Holdings, Inc. A	130,300	200,662	200,662	
Baguio Gold Holding Corp.	14,749	45,722	45,722	
Balabac Resources and Holdings	2,220	2,486	2,486	
Benguet Corporation Inc. A	739	6,873	6,873	
Benguet Corporation Inc. B	158	3,950	3,950	
Bacnotan Cons. Indistries Inc.	89,344	875,571	875,571	
Benguet Corp. Convert. Pref.	860	-	-	
Banco de Oro	5,766	265,236	265,236	
Belle Corp A	797,079	892,728	892,728	
Banco Filipino S&M	63	-	-	
BHI Holdings, Inc.	618,821	117,576	117,576	
Bankard, Inc	76,635	61,308	61,308	
Benpres Holdings, Inc.	746,983	1,613,483	1,613,483	
Bank of the Philippine Islands	17,708	1,124,458	1,124,458	
A. Brown Company, Inc.	363,836	574,861	574,861	
Basic Consolidated, Inc.	1,501,893	420,530	420,530	
Concrete Aggregates -A	1,200	8,760	8,760	
CADP Group Corporation	2,448	5,141	5,141	
Central Azucarera de Tarlac	488	3,318	3,318	
Cosmos Bottling Corporation	2,727	8,181	8,181	
Cityland Development	57	68	68	
Crown Equities, Inc.	1,279,695	537,472	537,472	
Centro Escolar University	2,003	18,628	18,628	
Cebu Holdings, Inc.	34,387	110,038	110,038	
China Banking Corporation	[illegible]	[illegible]	75,480	
CMP	121,004	169,406	169,406	
Southeast Asian Cement	1,727,224	1,709,952	1,709,952	
Southeast Asian Cement	152,500	823,500	823,500	

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Cebu Property Ventures & Dev. Corp.-A	14,346	25,823	25,823	
Cebu Property Ventures & Dev. Corp.-B	39	70	70	
Cyber Bay Corporation	3,061,163	948,961	948,961	
Diversified Fin. Network	268	616	616	
Digital Telecom Phils.	1,036,241	2,031,032	2,031,032	
DHI	111	1,249	1,249	
Dizon Copper Silver Mines Inc.	66,091	198,273	198,273	
DMCI Holdings, Inc.	387,794	2,365,543	2,365,543	
Aries Prime Res., Inc	1,308	-	-	
Easy Call Comm. Phils., Inc.	2,237	4,519	4,519	
EDC	551	2,672	2,672	
EEI Corporation	1,461,479	4,603,659	4,603,659	
Export and Industry Bank	3,000,000	3,000,000	3,000,000	
Urban Development Bank	416,335	195,677	195,677	
Urbancorp Realty Dev., Inc.	45,361	8,165	8,165	
Empire East Land, Inc.	3,301,637	1,782,884	1,782,884	
EPCI	31,477	2,612,591	2,612,591	
EDSA Prop. Holdings, Inc.	747	1,195	1,195	
Etelecare International, Inc.	3,060	-	-	
Etelecare International, Inc. Warrant	96	-	-	
Euro-Med Lab. Phil. Inc.	505	1,040	1,040	
Ever Gotesco Resources	308,000	19,250	19,250	
GRC/ BW	461,238	272,130	272,130	
Fil-Estate Corporation	7,945	2,860	2,860	
Fortune Cement Corp.	485	1,261	1,261	
Filinvest Development	495,266	1,807,721	1,807,721	
FEB	700	-	-	
Leisure & Resort Corp.	1,369,620	2,602,278	2,602,278	
Far Eastern University	1	810	810	
Filipino Fund, Inc.	1,235	4,940	4,940	
FGEN	11,366	642,179	642,179	
Filinvest Land	145,129	2,866,298	2,866,298	
FLI	1,288,637	2,757,683	2,757,683	
First Metro Invest. Corp	60	1,830	1,830	
First Philippine Holdings Corp.	38,076	2,398,788	2,398,788	
Forum Pacific, Inc.	52,505	13,651	13,651	
Filsyn Corp.	407	-	-	
Global Business Hldgs. Inc.	78	5,460	5,460	
GEO	2,002,168	1,421,539	1,421,539	
Globe Telecom Inc.	1,033	1,275,755	1,275,755	
Gotesco Land B	2	-	-	
Gotesco Land A	123,145	14,777	14,777	
Gotesco Land B	4,397	528	528	
Grand Plaza Hotel	89	1,669	1,669	
Ginebra San Miguel Inc.	14,771	310,191	310,191	
House of Investment	200,404	380,768	380,768	
International Container	6,595	136,846	136,846	
Interphil Laboratories-B	22,450	12,348	12,348	
Imperial Resources, Inc. 'A'	1,686	1,045	1,045	
Ionics Circuits, Inc.	384,105	7,298	7,298	
Interport Resources	326,597	705,450	705,450	
Interport Resources B	43,612,708	370,708	370,708	
Island Info and Tech Inc.	5,791,683	46,333	46,333	
ISM Communications Corp.	25,798,136	1,418,897	1,418,897	
Jardine Davies Inc.	8,243,429	473,997	473,997	
Jollibee Foods Corp.	6,678	280,476	280,476	
J.G. Summit Holdings, Inc.	56,571	622,281	622,281	
Keppel Phils. Prop., Inc.	25,118	32,653	32,653	
Keppel Phil. Holdings A	59,174	72,192	72,192	
Keppel Phil. Holdings B	20,070	30,105	30,105	
Keppel Phil. Marine, Inc.	30,428	28,602	28,602	
Kuok Phils. Properties, Inc.	1,286,540	578,943	578,943	

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on the market quotation at balance sheet date	Income received and accrued
City and Land Developers	1,112	2,891	2,891	
Lepanto Cons. A	746,391	194,062	194,062	
Lepanto Cons. B	1,174,445	317,100	317,100	
Liberty Flour Mills Inc.	96	1,536	1,536	
Liberty Telecoms Holdings	36,840	-	-	
Fil-Estate Land, Inc.	1,819,263	1,164,328	1,164,328	
Lorenzo Shipping Corp.	4,375	5,075	5,075	
Manila Mining A	86,979,581	2,087,510	2,087,510	
Manila Mining B	117,618,095	3,058,070	3,058,070	
Macroasia Corporation	51,954	109,103	109,103	
Metro Alliance Holdings A	13,957	5,025	5,025	
Metro Alliance Holdings B	26,679	9,604	9,604	
Manila Bulletin	24,714	25,703	25,703	
Metropolitan Bank & Trust Co.	10,700	551,050	551,050	
Marsteel Consolidated A	790,000	11,850	11,850	
Marsteel Consolidated B	81,200	1,299	1,299	
MEDCO Holdings	9,000	2,340	2,340	
Megaworld Corporation	2,176,604	5,267,382	5,267,382	
Matsushita Electric Phils. Corp.	171	1,077	1,077	
Manila Electric Co. "A"	11,463	619,002	619,002	
Manila Electric Co. "B"	17,499	962,445	962,445	
Manulife Financial Corp.	100	165,000	165,000	
Makati Finance Corp	62,549	-	-	
Mabuhay Holdings Corp.	25,500	8,160	8,160	
Magnum Holdings A	354,407	545,787	545,787	
Multitech Inv. Corp.	1,695	4,577	4,577	
Manila Jockey Club	24,617	-	-	
Mondragon Int'l. Phils.	17,406	87,030	87,030	
Metro Pacific Corporation	5,292,735	11,236,319	11,236,319	
Macondray Plastics, Inc.	2,300	6,900	6,900	
MRC Allied Industries	229,712	87,291	87,291	
Music Semiconductors Corp.	38,327	45,992	45,992	
Mabuhay Vinyl Corp.	2,862	1,832	1,832	
Manila Water Co., Inc.	232,977	2,189,984	2,189,984	
Omico Corporation	62,958,373	818,459	818,459	
Oriental Petroleum	190,080,093	2,090,881	2,090,881	
Oriental Petroleum B	50,910,732	610,929	610,929	
Philodrill Corp.	672,631	699,536	699,536	
Philodrill Corp. B	684,833	712,226	712,226	
Pacifica, Inc. 'A'	10,690,723	213,814	213,814	
Phil. Bank of Communication "A"	3	168	168	
PCI Leasing & Fin., Inc.	176,619	233,137	233,137	
Pancake House, Inc.	514	3,238	3,238	
Petron Corporation	138,117	566,280	566,280	
PICOP Resources, Inc.	486,487	97,297	97,297	
Premiere Ent. Prod., Inc.	3,289,560	1,085,555	1,085,555	
iPeople, Inc.	238,390	739,009	739,009	
IPVG Corp.	152,741	1,496,862	1,496,862	
San Miguel Purefoods "B"	8	360	360	
Prime Gaming Phils., Inc.	99,920	4,996,000	4,996,000	
Philcomsat Holdings Corp.	9,800	12,936	12,936	
Philippine Estates Corp.	1,000	160	160	
Pilipino Tel. Corp	187,844	1,296,124	1,296,124	
Primetown Property Group	400	-	-	
Phil. National Bank	103,253	4,543,132	4,543,132	
PNB Warrants	1	-		
PNB Warrants	191	-		
Philippine National Construction Corp.	140,468	884,948	884,948	
Polar Property Holdings	[illegible]	40,597	40,597	
PRIME ORION PHILS., INC.	711,275	135,142	135,142	
Pryce Corporation	9,061	2,265	2,265	
Philippine Racing Club	169	566	566	

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on the market quotation at balance sheet date	Income received and accrued
Prime Media Holdings, Inc.	5,904	5,609	5,609	
Philippine Savings Bank	27,104	1,300,992	1,300,992	
Philippine Stock Exchange Inc.	9	2,520	2,520	
Philippine Trust Co.	87	181	181	
Phil. Telegraph & Tel. Co.	5,901	-	-	
East Asia Power Res. Corp.	506,268	146,818	146,818	
Philex Mining A	304,088	1,231,556	1,231,556	
Rizal Comm. Banking Corp.	18,048	433,152	433,152	
Republic Cement Corp.	1,024	4,045	4,045	
Republic Glass Holding Corp.	852	1,448	1,448	
IPDG Corporation	840	3,234	3,234	
RFM Corporation	79,915	81,513	81,513	
Robinson Land Corp.	66,836	1,086,085	1,086,085	
Philippine Realty and Holdings	748,380	493,931	493,931	
Philippine Realty and Holdings	2,516	-	-	
Roxas Holdings, INC.	106,552	287,690	287,690	
IPVG Corp. (MBF)	114,660	-	-	
Semirara Mining Corp.	80,172	1,463,139	1,463,139	
Security Bank	26,551	1,739,091	1,739,091	
Philippine Seven Corp.	1,422	5,404	5,404	
Swift Foods, Inc.	432,791	142,821	142,821	
Solid Group, Inc.	436,214	283,539	283,539	
Sinophil Corporation	1,730,721	276,915	276,915	
Sun Life Financial, Inc.	490	1,002,050	1,002,050	
SM Investments Corp.	5,618	1,825,850	1,825,850	
San Miguel Corporation A	36,881	2,489,468	2,489,468	
San Miguel Corporation B	8,523	660,533	660,533	
San Miguel Prop., Inc.	126,433	335,047	335,047	
SM Prime Holdings, Inc.	250,018	2,687,694	2,687,694	
South China Resources, Inc.	7,200	6,984	6,984	
SPI Technologies, Inc.	1,846	2,806	2,806	
Seafront Resources Corp.	1,250	2,650	2,650	
Supercity Realty Dev't. Corp	31,000	-	-	
Steniel Manufacturing	4,466	1,161	1,161	
Sanitary Wares	67,992	-	-	
Trans-Asia Oil & Energy Dev't. Corp.	328,036	373,961	373,961	
Tanduay Holdings	538	1,668	1,668	
Phil. Long Distance Tel. Co.	121	308,550	308,550	
PLDT Co. (10% Pref.) Series A	689	-	-	
PLDT Co. (10% Pref.) Series AA	80	840	840	
PLDT Co. (10% Pref.) Series B	84	-	-	
PLDT Co. (10% Pref.) Series C	100	1,000	1,000	
PLDT Co. (10% Pref.) Series D	315	-	-	
PLDT Co. (10% Pref.) Series E	125	-	-	
PLDT Co. (10% Pref.) Series F	135	1,418	1,418	
PLDT Co. (10% Pref.) Series G	44	440	440	
PLDT Co. (10% Pref.) Series H	50	500	500	
PLDT Co. (10% Pref.) Series I	170	1,785	1,785	
PLDT Co. (10% Pref.) Series J	250	2,625	2,625	
PLDT Co. (10% Pref.) Series K	570	5,985	5,985	
PLDT Co. (10% Pref.) Series L	480	4,920	4,920	
PLDT Co. (10% Pref.) Series M	90	923	923	
PLDT Co. (10% Pref.) Series N	30	315	315	
PLDT Co. (10% Pref.) Series O	230	2,415	2,415	
PLDT Co. (10% Pref.) Series P	300	3,150	3,150	
PLDT Co. (10% Pref.) Series Q	40	420	420	
PLDT Co. (10% Pref.) Series R	20	210	210	
PLDT Co. (10% Pref.) Series S	130	1,365	1,365	
PLDT Co. (10% Pref.) Series T	100	1,050	[illegible]	
PLDT Co. (10% Pref.) Series U	120	1,260	1,260	
PLDT Co. (10% Pref.) Series V	20	210	210	
PLDT Co. (10% Pref.) Series W	210	2,205	2,205	

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on the market quotation at balance sheet date	Income received and accrued
PLDT Co. (10% Pref.) Series X	10	105	105	
PLDT Co. (10% Pref.) Series Y	90	923	923	
PLDT Co. (10% Pref.) Series Z	60	630	630	
TUNA	406,230	853,083	853,083	
Union Bank	9,232	452,368	452,368	
Holcim Philippines, Inc.	323,129	2,520,406	2,520,406	
F&J Prince Hldgs. Corp.	7,316	7,316	7,316	
Unioil Res. & Hldgs. Corp.	52,599	15,254	15,254	
Universal Rightfield Prop	(8,962,420)	-	-	
United Paragon Min. Corp.	737,194	523,408	523,408	
Universal Robina Corporation	76,424	1,471,162	1,471,162	
Uniwide Holdings	1,155,669	121,345	121,345	
Ivantage Corporation	318,987	529,518	529,518	
Vitarich Corporation	45,887	10,095	10,095	
Victorias Milling Co., Inc.	136,598	-	-	
Vulcan Industrial	1,196,360	1,674,904	1,674,904	
Vivant Corporation	5,499	4,399	4,399	
PhilWeb Corporation	18,794,417	582,627	582,627	
Aboitiz Transport System (ATSC) Corp.	8,097	10,526	10,526	
Aboitiz Transport System (ATSC) Corp. -Pref.	100	192	192	
Wise Holdings, Inc.	29,388	-	-	
Wise Holdings, Inc.-B	2,891	-	-	
Wellex Industries	11,854	1,541	1,541	
Waterfront Philippines	375,494	225,296	225,296	
Zeus Holdings, Inc.	200	66	66	
Zipporah Realty Holdings	65,000	-	-	
		153,724,868	153,724,868	

First Abacus Financial Holdings Corporation

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2006

Name and Designation of Debtor		Balance at Beginning of	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Agapay, Grace	Accounting Staff	3,200	1,773.91	3,200.00		1,773.91		[illegible]
Aguilar, Ma. Sheila	Vice President - Operations	329,574		47,134.65		282,439.35		282,439.35
Austero, Schubert	Vice President - HRCSG	250,739				250,739.00		250,739.00
Banoc, Ella	Custody Staff	-	10,000.00	4,204.18		5,795.82		5,795.82
Casimsiman, Joel	Senior Accountant	-	30,000.00	4,394.45		25,605.55		25,605.55
De Guzman, Ma. Cristina	AVP - Inst. Sales	1,103,752		80,804.44		1,022,947.56		1,022,947.56
Del Rosario, Jocelyn	Asst. Manager - Admin	124	30,000.00	8,843.87		21,280.13		21,280.13
Dela Cruz, Milan C.	Vice President - Controller	275,000		109,999.74		165,000.26		165,000.26
Delos Santos, Mary Anne	Retail Staff	24,706	30,132.67			54,838.67		54,838.67
Galenzoga, Cindy	Manager ACIC Treasury Operations	16,065				16,065.00		16,065.00
Magno, Rosario	Asst. Manager - HR	-	50,000.00	38,776.54		11,223.46		11,223.46
Ramirez, Ma. Cristina	Vice Pres. - ACIC Treasury Operatic	501,242		267,548.95		233,693.05		233,693.05
Restua, Raquel	Customer Service Officer	-	1,338.30			1,338.30		1,338.30
Rosalita, Elnee	Retail Staff	-	17,500.00	10,010.41		7,489.59		7,489.59
Sadyang-Abay, Emily	Accounting Staff		14,500.71			14,500.71		14,500.71
Santos, Marilou	HRD - Asst Manager	-	50,000.00	33,364.20		16,635.80		16,635.80
Villar Dennis	Manager- Credit and Collection	113,801	-	13,237.00		100,564.00		100,564.00
Total		*2,618,203*	*235,245.59*	*621,518.43*	-	*2,231,930.16*	-	*2,231,930.16*

The loans to directors are unsecured and are payable on various dates beginning 2005 with interests ranging from 12.0% to 12.5%.

First Abacus Financial Holdings Corporation
Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2006

Name of Issuing entity and description of Investee	*Number of shares or principal amount of bonds and notes*	*Amount in Peso*	*Equity in earnings (losses) of investee for the period*	*Other*	*Distribution of earnings by investees*	*Other*	*Number of shares or principal amount of bonds and notes*	*Amount in Peso*	*Dividends received from investments not accounted for by the equity method*
Long-Term Investments:									
Philippine Gaming Management Corp	5,346,500	267,325,000							
Universal Rightfield Properties	174,993,000	-							
Prime Gaming Phils. Inc.	1,918,658	95,932,900							
Universal Leisure Club	3	3,000,000							
Cebu Country Club	1	1,400,000							
Mimosa Golf	1	550,000							
Axes Holdings	50,000	2,471,000							
Lodestar Mining Corporation	0	-							
Valle Verde	2	180,000							
PCD	228	-							
		P 370,858,900							

**The above investments are reported in the balance sheets net of allowance fot impairment losses amounting to P144,932,929. Please refer to Note 7 of the Consolidated Financial Statements.*

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First Abacus Financial Holdings Corporation
Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related parties (Other than Affiliates)
December 31, 2006

Name of Related Parties	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

First Abacus Financial Holdings Corporation
Schedule E - Intangible Assets - Other Assets
December 31, 2006

Description	Beginning balance	Additions at cost	Deduction: Charged to cost and expenses	Deduction: Charged to other accounts	Deduction: Other changes additions (deductions)	Ending balance
Goodwill	P 35,324,355	-	-	-	-	P 35,324,355
Trading right	1,408,000					1,408,000
Creditable withhlding taxes(FAFHC/ASC/VHS)	15,560,013	17,540,044	6,804,897			26,295,160
Deferred oil exploration costs	-					-
Input VAT	3,351,345	2,636,190	4,814,276		1,173,259	0
Computer software(ASC)	105,098	75,000	86,097			94,001
Others	708,085	3,404,774	2,457,874	-	12,750	1,642,235
	P 56,456,896	P 23,656,008	P 14,163,144	-	P 1,186,009	P 64,763,751

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First Abacus Financial Holdings Corporation
Schedule F - Long-Term Debt
December 31, 2006

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*
Notes Payable and Bank Loans	P 922,366,161	- *	- *

** Included in this amount are loans from various funders amounting to P631,509,578. Please refer to Note 12 of the Consolidated Financial Statements.*

16 APR 2007

First Abacus Financial Holdings Corporation
Schedule G. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2006

Name of related party	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

First Abacus Financial Holdings Corporation
Schedule H - Guarantees of Securities of Other Issuers
December 31, 2006

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

First Abacus Financial Holdings Corporation
Schedule I - Capital Stock
December 31, 2006

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Common shares - P1 par value Authorized - P1,800,000,000 shares 1,193,200,000 shares issued and outstanding	1,800,000,000	1,193,200,000	-	172,893,600	162,008,000	858,298,400

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DATE

First Abacus Financial Holdings Corp.

SEC HRAD
APR 27 2007
CENTRAL RECEIVING AND RECORDS DIVISION
By:

Securities and Exchange Commission
SEC Building
EDSA, Greenhills
Mandaluyong City

Gentlemen:

In compliance with Memorandum Circular No. 02 dated March 12, 2001, issued by the Securities and Exchange Commission (SEC), requiring the submission by registered corporations of SEC reportorial requirements, we submit herewith the Audited Financial Statements (AFS) diskette of **First Abacus Financial Holdings Corporation** for the years ended December 31, 2006 and 2005 consisting of the following:

Table 1.	Balance Sheets
Table 2.	Income Statements
Table 3.	Cash Flow Statements
Table 4.	Statements of Changes in Equity

I certify that the AFS diskette of the Company contains the basic and material data in the hard copies of the financial statements of the Company for the years ended December 31, 2006 and 2005.

VICENTE CO CHIEN, Jr.
Treasurer

REPUBLIC OF THE PHILIPPINES
[illegible] S.S

I, VICENTE CO CHIEN, Jr., Treasurer of the above mentioned corporation, do solemnly swear that all matters set forth in the above report are true and correct to the best of my knowledge and belief.

VICENTE CO CHIEN, Jr.
Treasurer

SUBSCRIBED AND SWORN to before me this APR 13 2007 affiant exhibiting to me his TIN 111-853-589

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[illegible] R. AGCAOILI
NOTARY PUBLIC
TIN NO. 144-519-066

COVER SHEET

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S.E.C. Registration Number

F I R S T A B A C U S F I N A N C I A L

H O L D I N G S C O R P O R A T I O N A N D

S U B S I D I A R I E S

(Company's Full Name)

2 9 0 4 A E A S T T O W E R , P H I L I P P I N E

S T O C K E X C H A N G E C E N T E R , E X C H A N G E

R O A D , O R T I G A S C E N T E R , P A S I G C I T Y

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

MELANIO DELA CRUZ

Contact Person

6 3 4 - 5 1 0 4

Company Telephone Number

1 2 | 3 1

Month *Day*

Fiscal Year

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1 7 0

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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First Abacus Financial Holdings Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **First Abacus Financial Holdings Corporation** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2006 and 2005. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRSs) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

Name of Officer	Position	TIN
PAULINO S. SOO	President	107-047-406
VICENTE CO CHIEN Jr.	Treasurer	111-853-589
MELANIO C. DELA CRUZ	VP – Comptroller	182-285-400

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UNIT 3001 EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTRE • EXCHANGE ROAD • ORTIGAS CENTER • PASIG CITY
PHONE: (632) 634-5104 TO 11 • FAX: (632) 634-0435

REPUBLIC OF THE PHILIPPINES)
CITY OF QUEZON CITY) S. S.

SUBSCRIBED AND SWORN TO before me this APR 13 2007, QUEZON CITY affiants exhibiting to me their TIN, as follows:

Names	TIN
PAULINO S. SOO	107-047-406
VICENTE CO CHIEN Jr.	111-853-589
MELANIO C. DELA CRUZ	182-285-400

Doc. No. 102
Page No. 59
Book No. LX
Series of 2007

ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
PTR NO. 8451939
IBP NO. 579914
DATE ISSUED JAN 2, 2007
ISSUED AT QUEZON CITY
VALID UNTIL DEC. 31, 2007
TIN NO. 144-518-086

BIR RDO NO.
10 APR 2007

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements, December 31, 2006, 2005 and 2004

16 APR 2007

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Punongbayan & Araullo

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
First Abacus Financial Holdings
Corporation and Subsidiaries
Unit 2904-A, Philippine Stock
Exchange Centre, Exchange Road
Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of First Abacus Financial Holdings Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2006 and 2005, and the consolidated income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2006, and notes to consolidated financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-1

Offices in Cebu, Davao, Cavite

Member of Grant Thornton International

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Abacus Financial Holdings Corporation and Subsidiaries as of December 31, 2006 and 2005, and of their consolidated financial performance and their cash flows for each of the three years in the period ended December 31, 2006, in accordance with Philippine Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Group incurred losses of P82,942,468 and P106,994,691 for the years ended December 31, 2005 and 2004, respectively, and has deficit of P826,775,427, P850,045,397 and P767,102,929 as of December 31, 2006, 2005 and 2004, respectively. These conditions as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Although the Group has incurred deficit, the Group believes that the prevailing economic condition, while weighing heavily on the Group, is temporary and surmountable. The Group's management is confident that it will recover once the general business environment in the country improves. Consequently, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or the recoverability and classification of liabilities that might result from the outcome of this uncertainty.

As discussed in Note 8 to the consolidated financial statements, Abacus Capital and Investment Corporation (ACIC), a subsidiary, and another entity executed an Assignment of Receivables whereby ACIC assigned its rights over certain receivables from a previous customer amounting to P163,519,882. As part of the assignment, the other entity grants ACIC a call option which can be exercised on all but not part of the receivables, including uncollected but accrued earnings, which have not been collected at the time of the exercise of the call option. The call option can be exercised anytime prior to November 30, 2011. The ultimate outcome of this matter cannot presently be determined. The management of ACIC, however, is confident that the receivables can be realized, and the original debtor will eventually be able to settle its obligations. Accordingly, no provision for noncollection of the receivables has been recognized in the consolidated financial statements.

PUNONGBAYAN & ARAULLO

By: Lilian S. Linsangan
Partner
CPA Reg. No. 0046660
TIN 109-228-234
PTR No. 0267683, January 2, 2007, Makati City
SEC Accreditation No. 0008-AR-1
BIR AN 08-002511-3-2005 (Dec. 27, 2005 to 2008)

March 30, 2007

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FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(Amounts in Philippine Pesos)

	Notes		2006		2005
ASSETS					
CASH	5	P	**34,057,476**	P	38,984,024
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6		**153,724,868**		61,545,405
AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net	7		**370,858,900**		324,588,954
RECEIVABLES - Net	8		**1,219,237,400**		1,096,456,816
PROPERTY AND EQUIPMENT - Net	9		**46,684,293**		49,017,466
INVESTMENT PROPERTIES - Net	10		**37,395,105**		41,818,516
DEFERRED TAX ASSETS - Net	16		**43,067,408**		43,646,603
OTHER ASSETS - Net	11		**64,763,751**		56,456,896
TOTAL ASSETS		P	**1,969,789,201**	P	1,712,514,681
LIABILITIES AND EQUITY					
INTEREST-BEARING LOANS AND BORROWINGS	12	P	**922,366,161**	P	720,887,501
ACCOUNTS PAYABLE AND OTHER LIABILITIES	13		**850,299,377**		861,774,433
Total Liabilities			**1,772,665,538**		1,582,661,934
EQUITY					
Capital stock			**1,193,200,000**		1,193,200,000
Additional paid-in capital			**5,127,200**		5,127,200
Treasury stock, at cost		(	**389,278,162)**	(	389,278,162)
Changes in fair value of available-for-sale financial assets			**214,850,052**		170,849,106
Deficit		(	**826,775,427)**	(	850,045,397)
Total Equity			**197,123,663**		129,852,747
TOTAL LIABILITIES AND EQUITY		P	**1,969,789,201**	P	1,712,514,681

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(Amounts in Philippine Pesos)

	Notes	2006	2005	2004
REVENUES				
Commissions		P 99,025,293	P 43,413,217	P 31,612,032
Interest		84,205,872	72,255,302	61,976,605
Management fees		61,058,329	43,841,038	28,357,628
Fair value gains on financial assets at fair value through profit or loss	6	24,184,723	-	8,889,530
Recovery of impairment losses on receivables		7,317,630	-	-
Recovery of impairment losses on available-for-sale financial assets	7	-	2,081,000	-
Other revenues		2,234,667	1,637,332	1,084,838
		278,026,514	163,227,889	131,920,633
EXPENSES				
Finance costs		102,862,891	100,585,894	87,226,749
Commissions		24,873,184	13,055,250	10,024,526
Employee benefits	15	21,454,922	17,875,685	16,231,974
Impairment losses	8, 9, 10, 11	19,034,315	31,367,534	-
Loss on sale of financial assets	7	13,127,083	16,244,288	14,453,087
Taxes and licenses		12,217,954	9,057,018	6,328,459
Depreciation and amortization	9, 10, 11	8,440,167	9,318,247	10,055,092
Communication, light and water		6,073,147	5,549,567	5,628,191
Representation and entertainment		5,000,295	7,632,857	5,870,369
Fair value losses on financial assets at fair value through profit or loss	6	-	11,997,193	-
Impairment loss on deferred oil exploration costs	11	-	-	15,418,003
Other expenses	14	33,679,012	15,486,602	15,664,376
		246,762,970	238,170,135	186,900,826
INCOME (LOSS) BEFORE TAX		31,263,544	(74,942,246)	(54,980,193)
TAX EXPENSE	16	7,993,574	8,000,222	52,014,498
NET INCOME (LOSS)		P 23,269,970	(P 82,942,468)	(P 106,994,691)
Earnings (Loss) Per Share	18	P 0.02	(P 0.08)	(P 0.10)

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(Amounts in Philippine Pesos)

	Notes	2006	2005	2004
CAPITAL STOCK - P1 par value				
Authorized - 1,800,000,000 shares				
Issued and outstanding - 1,193,200,000 shares		P 1,193,200,000	P 1,193,200,000	P 1,193,200,000
ADDITIONAL PAID-IN CAPITAL		5,127,200	5,127,200	5,127,200
TREASURY SHARES - 172,893,600 shares, at cost		(389,278,162)	(389,278,162)	(389,278,162)
CHANGES IN FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Balance at beginning of year				
As previously reported		170,849,106	-	77,200,919
Effects of transition to PFRS	2	-	170,349,106	57,185,341
As restated		170,849,106	170,349,106	134,386,260
Fair value gains during the year	7	44,000,946	500,000	35,962,846
Balance at end of year		214,850,052	170,849,106	170,349,106
DEFICIT				
Balance at beginning of year				
As previously reported		(850,045,397)	(664,845,428)	(555,511,760)
Effects of transition to PFRS, net of taxes	2	-	(102,257,501)	(104,596,478)
As restated		(850,045,397)	(767,102,929)	(660,108,238)
Net income (loss)		23,269,970	(82,942,468)	(106,994,691)
Balance at end of year		(826,775,427)	(850,045,397)	(767,102,929)
TOTAL EQUITY		P 197,123,663	P 129,852,747	P 212,295,215
Fair Value Gains Directly Recognized in Equity		P 44,000,946	P 500,000	P 35,962,846

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(Amounts in Philippine Pesos)

	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax	P 31,263,544	(P 74,942,246)	(P 54,980,193)
Adjustments for:			
Finance costs	102,862,891	100,585,894	87,226,749
Fair value losses (gains) on financial assets at fair value through profit or loss	(24,184,723)	11,997,193	(8,889,530)
Impairment losses	19,034,316	31,367,534	-
Loss on sale of financial assets	13,127,083	16,244,285	14,453,087
Depreciation and amortization	8,440,167	9,318,247	10,055,092
Impairment loss on deferred oil exploration costs	-	-	15,418,003
Recovery of impairment losses on available-for-sale securities	-	(2,081,000)	-
Recovery of impairment losses on receivables	(7,317,630)		
Interest income	(84,205,872)	(72,255,302)	(61,976,605)
Operating income before working capital changes	59,019,776	20,234,605	1,306,603
Increase in financial assets at fair value through profit or loss	(82,666,383)	(27,823,634)	(2,923,666)
Decrease (increase) in receivables	(50,414,301)	7,773,968	(44,860,983)
Decrease (increase) in other assets	(14,330,979)	(2,051,949)	44,923,101
Increase (decrease) in accounts payable and other liabilities	(11,475,056)	62,906,286	95,083,473
Cash generated from (used in) operations	(99,866,943)	61,039,276	93,528,528
Interest received	301,267	1,065,729	974,803
Interest paid	(102,862,891)	(100,585,894)	(92,725,278)
Cash paid for income taxes	(1,401,352)	(2,261,243)	(1,647,474)
Net Cash From (Used in) Operating Activities	(203,829,919)	(40,742,132)	130,579
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets	3,625,560	-	8,746,008
Acquisition of available-for-sale financial assets	(4,350,000)	-	-
Acquisition of property and equipment	(1,775,849)	(688,844)	(682,910)
Acquisition of computer software	(75,000)	-	(105,834)
Proceeds from disposal of property and equipment	-	104,963	-
Net Cash From (Used in) Investing Activities	(2,575,289)	(583,881)	7,957,264
CASH FLOWS FROM FINANCING ACTIVITY			
Net loan availments	201,478,660	68,315,342	281,234
NET INCREASE (DECREASE) IN CASH	(4,926,548)	26,989,329	8,369,077
CASH AT BEGINNING OF YEAR	38,984,024	11,994,695	3,625,618
CASH AT END OF YEAR	P 34,057,476	P 38,984,024	P 11,994,695

See Notes to Consolidated Financial Statements.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006, 2005 AND 2005
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

1.1 Corporate Information

First Abacus Financial Holdings Corporation (the Parent Company) was incorporated in the Philippines and owns the following subsidiaries, all of which are incorporated in the Philippines:

- Abacus Capital & Investment Corporation (ACIC)
- Abacus Securities Corporation (ABSEC)
- Vista Holdings Corporation (VHC)

The Parent Company and its subsidiaries (the Group) are primarily involved in securities brokerage, investment banking and leasing. The Parent Company's transactions consist mainly of regular financial support granted to related parties to carry out their respective business operations. The Parent Company's shares of stock are listed at the Philippine Stock Exchange.

The Parent Company's registered office, which is also its principal place of business, is located at Unit E-2902D, Philippine Stock Exchange Centre (PSE), Exchange Road, Ortigas Center, Pasig City.

The consolidated financial statements of the Group for the year ended December 31, 2006 (including comparatives for the years ended December 31, 2005 and 2004) were authorized for issue by the Group's Chairman and Chief Executive Officer on March 30, 2007.

1.2 Status of Operations

The Group incurred losses of P82,942,468 and P106,994,691 for the years ended December 31, 2005 and 2004, respectively, and has deficit of P826,775,427, P850,045,397 and P767,102,929 as of December 31, 2006, 2005 and 2004, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Although the Group has incurred deficit, the Group is steadfast in its belief that the prevailing economic condition, while weighing heavily on the Group, is temporary and surmountable. The Group's management is confident that the Group will recover once the general business environment in the country improves.

Consequently, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability of assets or the amounts of liabilities that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

(a) Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

The consolidated financial statements of the First Abacus Financial Holdings Corporation and its Subsidiaries have been prepared in accordance with PFRSs. PFRSs are adopted by the Financial Reporting Standards Council, from the pronouncements issued by the International Accounting Standards Board (IASB). PFRSs consist of:

(i) PFRSs – corresponding to International Financial Reporting Standards;

(ii) Philippine Accounting Standards (PASs) – corresponding to International Accounting Standards; and,

(iii) Interpretations to existing standards – representing interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), of the IASB which are adopted by the FRSC.

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets at fair value. The measurement bases are more fully described in the accounting policies that follow.

(b) Transition to PFRS in 2005

In compliance with the pronouncements of the FRSC and the regulations of the Securities and Exchange Commission (SEC), the Group adopted all the relevant PFRSs for the first time in their consolidated financial statements for the year ended December 31, 2005, with January 1, 2004 as their transition date.

The transition from the previous generally accepted accounting principles in the Philippines to PFRS was made in accordance with PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards.*

The Group's transition to PFRS in 2005 resulted in the restatement of the balance of Equity as of January 1, 2005 and 2004. The total adjustment to Equity, particularly in the balance of Changes in Fair Value of Available-for-Sale Financial Assets and Deficit, arising from the transition amounting to P68,091,605 in 2005 and P47,411,137 in 2004 and is broken down as follows:

	Relevant PFRS	Changes in Fair Value of Available-for-Sale Financial Assets	Deficit	Total Adjustments
January 1, 2005				
Impairment losses on available-for-sale financial assets	PAS 39	P 59,350,793	(P 59,350,793)	P -
Remeasurement of available-for-sale financial assets	PAS 39	110,998,313	-	110,998,313
Remeasurement of financial assets at fair value through profit and loss	PAS 39	-	13,081,325	13,081,325
Derecognition of stock rights	PAS 39	-	(1,965,113)	(1,965,113)
Reversal of amortization of trading right	PAS 38	-	140,800	140,800
Accrual of short-term employee benefits	PAS 19	-	(742,333)	(742,333)
Recognition of transitional liability and defined benefit expense	PAS 19	-	(886,655)	(886,655)
Reversal of amortization of goodwill	PAS 36	-	1,662,614	1,662,614
Impairment losses on goodwill	PAS 36	-	(49,260,596)	(49,260,596)
Deferred tax adjustments	PAS 12	-	(4,936,750)	(4,197,993)
		P 170,349,106	(P 102,257,501)	P 68,091,605

	Relevant PFRS	Changes in Fair Value of Available-for-Sale Financial Assets	Deficit	Total Adjustments
January 1, 2004				
Impairment losses on available-for-sale financial assets	PAS 39	P 59,035,656	(P 59,035,656)	P -
Remeasurement of available-for-sale financial assets	PAS 39	(1,850,315)	-	(1,850,315)
Remeasurement of financial assets at fair value through profit and loss	PAS 39	-	9,117,419	9,117,419
Derecognition of stock rights	PAS 39	-	(552,302)	(552,302)
Accrual of short-term employee benefits	PAS 19	-	(573,345)	(573,345)
Recognition of transitional liability and defined benefit expense	PAS 19	-	(94,005)	(94,005)
Impairment losses on goodwill	PAS 36	-	(49,260,596)	(49,260,596)
Deferred tax adjustments	PAS 12	-	(4,197,993)	(4,197,993)
		P 57,185,341	(P 104,596,478)	(P 47,411,137)

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In addition to the foregoing adjustments to Equity, the structure of the consolidated balance sheet and consolidated income statement was also revised.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.16).

2.2 Impact of New Standards, and Amendments and Interpretations to Existing Standards that are Relevant to the Group

(a) Effective in 2006

In 2006, the Group adopted the amendments and interpretations to existing accounting standards issued by the IASB and adopted by the FRSC which are mandatory for accounting periods beginning on or after January 1, 2006. These amendments and interpretations are as follows:

PAS 19 (Amendment)	:	Employee Benefits
PAS 39 (Amendment)	:	The Fair Value Option
PAS 39 and PFRS 4 (Amendment)	:	Financial Guarantee Contracts
Philippine Interpretation IFRIC 4	:	Determining whether an Arrangement Contains a Lease

Discussed below are the impact on the consolidated financial statements of each of these amendments and interpretation.

(i) PAS 19 (Amendment), *Employee Benefits.* The amendment introduces an option for an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements and imposes additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. Because the Group did not intend to change its current accounting policy for recognition of actuarial gains and losses and each of the Company in the Group did not participate in any multi-employer plans, the adoption of this amendment did not result in a material adjustment to the consolidated financial statements.

(ii) PAS 39 (Amendment), *The Fair Value Option.* This amendment changes the definition of financial instruments classified as at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The adoption of this amendment did not result in a material reclassification of the Group's financial instruments.

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(iii) PAS 39 and PFRS 4 (Amendment), *Financial Guarantee Contracts.* The amendment requires the recognition of guarantee liability, at its fair value, of the parent company in relation to a third party loan to a subsidiary guaranteed by the Parent Company. The Group's adoption of the amendment did not result in a material adjustment to the consolidated financial statements.

(iv) Philippine Interpretation IFRIC 4, Determining Whether an Arrangement Contains a Lease. Philippine Interpretation IFRIC 4 requires the determination of whether an arrangement is or contains a lease based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset. Based on the management's current year assessment, the adoption of Philippine Interpretation IFRIC 4 has no significant impact on the Group's current operations.

(b) Effective Subsequent to 2006

There are new standards, and amendments and interpretations to existing standards that are effective for periods subsequent to 2006. Of these new standards, and amendments and interpretations, the following are relevant to the Group but the Group has opted not to adopt them early.

PAS 1 (Amendment)	:	Presentation of Financial Statements
PFRS 7	:	Financial Instruments: Disclosures
Philippine Interpretation IFRIC 10	:	Interim Financial Reporting and Impairment

Below is a discussion of the possible impact of the foregoing standard and amendment which the Group will apply in 2007 in accordance with their transitional provisions.

(i) PFRS 7, Financial Instruments: Disclosures and complementary amendment to PAS 1 (effective for annual periods beginning on or after January 1, 2007). PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces PAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in PAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under PFRS. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of PFRS 7 and the amendment to PAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of PAS 1.

(ii) Philippine Interpretation IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006). It prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group has evaluated the impact of this interpretation on their consolidated financial statements and has initially determined that such may not have significant effects on the financial statements for 2007, as well as for prior and future periods.

2.3 Principles of Consolidation

The accompanying consolidated financial statements comprise the financial statements of the Parent Company, and its wholly-owned subsidiaries, ACIC, ABSEC and VHC, as of and for the years ended December 31, 2006, 2005 and 2004, after elimination of material intercompany transactions and account balances.

Subsidiaries are consolidated from the date the Parent Company obtains control until such time that control ceases.

The excess of the carrying value of the Parent Company's investments in ACIC and ABSEC over its share in the underlying assets of the subsidiaries is recognized as Goodwill and shown as part of the Other Assets account in the consolidated balance sheets.

The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting principles.

2.4 Business Segments

The Group is organized into the following business segments:

(a) Securities brokerage – handles buying and selling of shares of stock, bonds and other securities.

(b) Investment banking – provides services which include underwriting of financial instruments and management fees from financial and management advisory services.

(c) Leasing and others – includes leasing of condominium units and other segment activities, none of which constitute a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the closing 365-day treasury bill rate plus 2%.

Inter-segment revenues and expenses also include rentals from the operating leases on condominium units managed by certain segments. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

2.5 Financial Assets

Financial assets include cash and other financial instruments. Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash includes cash on hand and bank deposits which are subject to insignificant risk of changes in value. Cash is initially and subsequently measured at fair value.

All financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

The foregoing categories of financial instruments are more fully described below.

(a) Financial Assets at Fair Value through Profit or Loss

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Loans and receivables are presented as Receivables in the consolidated balance sheet.

Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

(c) Available-for-Sale Financial Assets

This include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are initially recognized at fair value plus transaction costs and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the consolidated income statement. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through the consolidated income statement. On the other hand, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

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

Condominium units	15-25 years
Building improvements	5 years
Transportation equipment	5 years
Computer equipment	3-5 years
Furniture, fixtures and equipment	3-5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each consolidated balance sheet date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is derecognized.

2.7 Investment Properties

Investment properties pertain to condominium units held for lease and for appreciation in value. The Group adopted the cost model in measuring its investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any impairment in value. The cost of investment properties comprises its purchase price and directly attributable costs. Investment properties are depreciated on a straight-line basis over the estimated useful life of 15 to 25 years.

2.8 Intangible Assets

Intangible assets include goodwill, trading right and acquired computer software licenses (shown as Other Assets account in the consolidated balance sheet). The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of the investment over the fair value of identifiable net assets of a subsidiary at date of acquisition. Goodwill is carried at amortized cost up to the date of transition to PFRS less any impairment in value. Goodwill is subject to annual test for impairment whether there is an objective evidence of impairment or not.

(b) Trading Right

Trading right represents the value of the exchange seat which allows the Group to trade in the PSE. Trading right is assessed as having an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment loss.

(c) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years as these intangible assets are considered finite.

2.9 Deferred Oil Exploration Costs

The Group made certain investments in oil exploration projects. The cost of exploration relating to service contract or block area which is still in the exploratory stage are capitalized as deferred oil exploration costs (shown under the Other Assets account in the consolidated balance sheet). When a service contract or block area is permanently abandoned, the related deferred oil exploration cost is written off. Service contracts or block areas are considered not permanently abandoned if the service contracts have not yet expired and/or there are ongoing negotiations for further exploration.

2.10 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, deferred oil exploration costs and intangible assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets, except Goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Impairment losses recognized on Goodwill are not reversed.

2.11 Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings and accounts payable and other liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the consolidated income statement.

Interest-bearing loans and borrowings are obtained to support the short-to long-term funding needs of the Group. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable and other liabilities are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the consolidated balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

2.12 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the consolidated balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

2.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Rendering of services (commissions, underwriting fees, financial and management advisory fees)* – Revenue is recognized when contractually agreed tasks have been substantially rendered.

(b) *Interest* – Revenue is recognized as the interest accrues (taking into account the effective yield on the assets).

(c) *Dividends* – Revenue is recognized when the stockholders' right to receive the payment is established.

(d) *Rental* – Revenue is recognized on a straight line basis over the lease term.

Costs and expenses are recognized in the consolidated income statement upon utilization of the service or at the date of their origin. Finance costs are reported on an accrual basis.

2.14 Securities Transactions

Securities transactions of ABSEC (and related commission income and expense, if applicable) are recorded on a transaction date basis.

2.15 Leases

(a) *Group as lessor* – Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term.

(b) *Group as lessee* – Operating lease payments are recognized as expense in the consolidated income statements on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.16 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entities operate (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency.

(b) Transactions and Balances

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

2.17 Employee Benefits

(a) Retirement Benefit Obligation

The Group has no formal retirement or pension plan. The liability recognized in the consolidated balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the consolidated balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected-unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are not recognized as expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The Group also participates in the defined contribution pension plan managed by the Social Security System. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the consolidated balance sheet date. They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the consolidated balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated income statement.

Deferred tax is provided, using the balance sheet liability method, on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the consolidated balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

2.19 Earnings (Loss) per Share

Earnings (loss) per share is determined by dividing consolidated net income (loss) by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustment for any stock dividend, stock split or reverse stock split declared during the year.

2.20 Equity

Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stocks are stated at the cost of re-acquiring such shares.

Changes in fair value of available-for-sale financial assets pertain to the excess of mark-to-market valuation over cost of available-for-sale financial assets.

Deficit includes all current and prior period results as disclosed in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes.

3.1 Judgments

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

(a) Functional Currency

The Group has determined that its functional currency is the Philippine peso which is the currency of the primary environment in which the Group operates.

(b) Impairment of Available-for-Sale Financial Assets

The Group follows the guidance of PAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for impairment losses on the Group's available-for-sale financial assets amounted to P144,932,929 as of December 31, 2006 and 2005.

(c) Operating Leases

The Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Rent income reported by the Group amounted to P 257,563 in 2006, P32,727 in 2005 and none in 2004, and is presented as part of Other Revenues in the consolidated income statements. Rent expense reported by the Group amounted to P233,993, P145,281, and P158,630 in 2006, 2005 and 2004 respectively, and is presented as part of Other Expenses in the consolidated income statements.

(d) Distinction Between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the rendering of services by the Group.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the rendering of services or for administrative purposes. If these portion can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the rendering of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(f) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.12.

3.2 Estimates

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2006, 2005 and 2004 consolidated financial statements:

(a) Useful Life of Property and Equipment and Investment Properties

The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment properties would increase recorded operating expenses and decrease assets.

Property and equipment, net of accumulated depreciation, amortization and impairment losses amounted to P46,684,293 and P49,017,466 as of December 31, 2006 and 2005, respectively (see Note 9).

Investment properties, net of accumulated depreciation and impairment losses, amounted to P37,395,105 in 2006 and P41,818,516 in 2005.

(b) Allowance for Impairment of Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Allowance for impairment losses on receivables amounted to P175,391,430 and P176,243,806 as of December 31, 2006 and 2005 (see Note 8).

(c) Valuation of Financial Assets Other Than Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Allowance for impairment of the Group's available-for-sale financial assets amounted to P144,932,929 in 2006 and 2005.

(d) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at each consolidated balance sheet 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.

Total recognized deferred tax assets amounted to P43,067,408 in 2006 and P43,646,603 in 2005. Total unrecognized deferred tax assets amounted to P75,101,618 in 2006 and P93,287,177 in 2005 (see Note 16).

(e) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.10. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses reported on property and equipment in 2006 amounted to P178,363 (see Note 9).

Impairment losses on investment properties in 2005 amounted to P1,894,678 (see Note 10).

Impairment loss recognized on the Group's input value-added tax (VAT) amounted to P1,173,259 in 2006 (see Note 11.4)

(f) Retirement and Other Benefits

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 15 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit obligation and net unrecognized actuarial gains amounted to P6,120,477 and P135,201, respectively, as of December 31, 2006 and P5,043,566 and P135,201, respectively, as of December 31, 2005 (see Note 15).

4. SEGMENT INFORMATION

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

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2006, 2005 and 2004 and certain assets and liabilities information regarding industry segments at December 31, 2006, 2005 and 2004.

	December 31, 2006				
	Securities Brokerage	Investment Banking	Leasing	Elimination	Group
Revenues:					
External	P 97,047,387	P 180,715,029	P 264,098	P -	P 278,026,514
Inter-segment	32,458,524	32,160,763	13,752,938	(78,372,225)	-
Total revenues	129,505,911	212,875,792	14,017,036	(78,372,225)	278,026,514
Expenses:					
External	91,831,903	140,885,950	14,045,117	-	246,762,970
Inter-segment	7,539,039	50,218,336	16,278	(57,773,653)	-
Total expenses	99,370,942	191,104,286	14,061,395	(57,773,653)	246,762,970
Operating income (loss)	P 30,134,969	P 21,771,506	(P 44,359)	(P 20,598,572)	P 31,263,544
Profit (loss) for the year	P 19,229,184	P 25,994,299	(P 1,354,941)	(P 20,598,572)	P 23,269,970
Segment assets	P 515,494,292	P 3,082,948,688	P 220,403,472	(P 1,849,057,251)	P 1,969,789,201
Segment liabilities	P 343,440,647	P 2,300,[illegible]1,943	P 83,177,791	(P 954,454,843)	P 1,772,655,538
Other segment items:					
Capital expenditures	P 1,808,104	P 42,745	[illegible]	P -	P 1,850,849
Depreciation and amortization	P 747,614	P 4,468,985	P 3,223,568	P -	P 8,440,167
Impairment loss	P 5,787,346	P 13,246,968	P -	P -	P 19,034,314

	December 31, 2005				
	Securities Brokerage	Investment Banking	Leasing	Elimination	Group
Revenues:					
External	P 43,368,643	P 119,823,424	P 35,818	P -	P 163,227,885
Inter-segment	51,276,159	20,074,907	17,164,842	(88,515,908)	-
Total revenues	94,644,802	139,898,331	17,200,660	(88,515,908)	163,227,885
Expenses:					
External	82,508,592	141,069,539	14,592,004	-	238,170,135)
Inter-segment	9,219,312	75,272,693	15,558	(84,507,563)	-
Total expenses	91,727,904	216,342,232	14,607,562	(84,507,563)	238,170,135
Operating income (loss)	P 2,916,898	(P 76,443,901)	P 2,593,098	(P 4,008,345)	(P 74,942,250)
Profit (loss) for the year	P 1,304,870	(P 84,361,052)	P 4,402,055	(P 4,288,345)	(P 82,942,472)
Segment assets	P 381,733,384	P 2,869,205,042	P 229,309,394	(P 1,767,733,140)	P 1,712,514,680
Segment liabilities	P 228,798,921	P 2,156,199,074	P 92,186,323	(P 894,522,385)	P 1,582,661,933
Other segment items:					
Capital expenditures	P 471,903	P 16,819	P 200,122	P -	P 688,844
Depreciation and amortization	P 1,111,067	P 5,013,632	P 3,193,549	P -	P 9,318,248
Impairment loss	P -	P 31,367,534	P -	P -	P 31,367,534

	December 31, 2004				
	Securities Brokerage	Investment Banking	Leasing	Elimination	Group
Revenues:					
External	P 35,444,936	P 96,471,827	P 3,871	P -	P 131,920,634
Inter-segment	62,052,713	32,471,418	16,614,533	(111,138,664)	-
Total revenues	97,497,649	128,943,245	16,618,404	(111,138,664)	131,920,634
Expenses:					
External	62,391,417	111,425,656	13,083,752	-	186,900,825
Inter-segment	8,954,112	101,955,369	484,341	(111,393,822)	-
Total expenses	71,345,529	213,381,025	13,568,093	(111,393,822)	186,900,825
Operating income (loss)	P 26,152,120	(P 84,437,780)	P 3,050,311	P 255,158	(P 54,980,191)
Profit (loss) for the year	P 8,920,027	(P 116,844,500)	P 674,627	P 255,158	(P 106,994,688)
Segment assets	P 510,768,558	P 2,755,983,030	P 215,565,740	(P 1,818,511,535)	P 1,663,805,793
Segment liabilities	P 359,138,967	P 1,961,881,572	P 80,079,164	(P 949,589,125)	P 1,451,510,578
Other segments:					
Capital expenditures	P 788,294	P -	P -	P -	P 788,294
Depreciation and amortization	P 1,486,842	P 5,384,708	P 3,183,543	P	P 10,055,093
Impairment loss	P -	P 16,097,301	P	(P 16,097,301)	P -

In 2005, the Group's operations were classified into Securities Brokerage, Investment Banking and Others. In 2006, the Group made certain modifications in the business classification for segment reporting purposes and classified the Group's businesses into Securities Brokerage, Investment Banking and Leasing. Such modification in the business segments resulted into reclassifications in certain segment assets, liabilities, revenues and expenses.

Presented below is a summary of the reclassifications made on the Group's segment accounts which were previously reported under Others and now presented as part of Investment Banking.

	2005	2004
Segment assets	P1,472,643,675	P1,427,580,685
Segment liabilities	P1,215,719,119	P1,088,678,866
Segment revenues	P 31,059,189	P 33,537,108
Segment expenses	P 113,969,721	P 97,595,608

5. CASH

The Group maintains a special bank account with a local bank in compliance with the Securities Regulation Code. The bank account has a balance of P11,517 and P11,717 as of December 31, 2006 and 2005, respectively.

Foreign currency-denominated cash amounted to P87,725 (US$1,789) in 2006 and P161,896 (US$3,075) in 2005.

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of the following financial assets:

	2006	2005
Held-for-trading equity securities	**P 150,724,868**	P 58,545,405
Designated as at fair value through profit or loss on initial recognition	3,000,000	3,000,000
	P 153,724,868	P 61,545,405

Held-for-trading equity securities include investments in shares of stock of publicly-listed entities which are held solely for trading purposes. These shares are carried at fair value as determined directly by reference to published price quoted in an active market.

In 2005, as a result of the Group's transition to PFRS, the investment in PSE shares was classified as part of Financial Assets at Fair Value Through Profit or Loss since the Group does not intend to hold the PSE shares. The market value of the PSE shares is P280 per share and P150 per share as of December 31, 2006 and 2005. The increase in the fair value of the PSE shares is presented as part of Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss and the decrease in the fair value of PSE shares is presented as part of Fair Value Losses on Financial Assets at Fair Value Through Profit or Loss in the consolidated income statement.

The Group recognized changes in fair value of financial assets through profit or loss amounting to P24,184,723 gain in 2006, P11,997,193 loss in 2005 and P8,889,530 gain in 2004.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	2006	2005
At fair value:		
Prime Gaming Phils., Inc.	**P 363,257,901**	P 314,386,955
Others	**5,130,000**	5,650,000
	368,387,901	320,036,955
At cost:		
Universal Rightfield Properties (URP)	**144,910,128**	144,910,128
Axes Holdings	**2,471,000**	2,471,000
Philippine Central Depository (PCD)	**22,800**	22,800
Lodestar Mining Corporation (LMC)	**-**	2,081,000
	147,403,928	149,484,928
	515,791,829	469,521,883
Allowance for impairment	**(144,932,929)**	(144,932,929)
	P 370,858,900	P 324,588,954

The reconciliation of available-for-sale financial assets are as follows:

	2006	2005
Balance at beginning of year	**P 324,588,954**	322,007,954
Additions	**4,350,000**	-
Fair value gains	**44,000,946**	500,000
Disposals	**(2,081,000)**	-
Recovery of impairment losses	**-**	2,081,000
Balance at end of year	**P 370,858,900**	P 324,588,954

Other available-for-sale financial assets include proprietary membership in golf and country club shares.

The fair values of available-for-sale financial assets that are carried at fair value have been determined directly by reference to published prices in an active market.

The fair values of available-for-sale financial assets increased by P44,000,946 in 2006, P500,000 in 2005, and P35,962,846 in 2004.

Investments in URP, LMC and PCD, all publicly-listed companies whose shares are suspended for trading, were valued at total cost and is presented net of allowance for impairment in value of P144,932,929 both in 2006 and 2005. The fair value of investment in Axes Holdings is not reliably determinable either by reference to the fair value of similar financial instruments or through valuation technique. Thus, Investment in Axes Holdings is carried at cost.

8. RECEIVABLES

The breakdown of this account is as follows:

	2006	2005
Equities margin loans	**P 713,073,189**	P 637,236,558
Accounts receivable	**243,740,650**	291,816,354
Customers/brokers	**172,457,569**	88,270,792
Notes receivable	**114,739,251**	129,739,251
Interest receivable	**99,479,810**	99,479,810
Management fee receivable	**25,500,000**	-
Others	**25,638,361**	26,157,857
	1,394,628,830	1,272,700,622
Allowance for impairment	**(175,391,430)**	(176,243,806)
	P1,219,237,400	P1,096,456,816

A reconciliation of the allowance for impairment at beginning and end of 2006 and 2005 is shown below:

	2006	2005
Balance at beginning of year	**P 176,243,806**	P 146,770,950
Provisions during the year	**17,682,693**	29,472,856
Write-off of receivables	**(11,217,439)**	-
Recoveries during the year	**(7,317,630)**	-
Balance at end of year	**P 175,391,430**	P 176,243,806

The equities margin loans consist of loans to third parties which bear annual interest at rates ranging from 14% to 20% in 2006, 2005 and 2004. These receivables are secured by marketable shares of stock pledged by certain customers of the Group with a total market value of P773,122,363 and P621,213,777 as of December 31, 2006 and 2005, respectively. The pledged shares of stock have been used as collaterals for bank loans obtained by the Group with a local bank (see Note 12).

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Notes and interest receivables represent outstanding claims from an individual which are due upon demand.

Receivables from customers/brokers result from the Group's securities trading transactions and are normally settled within three days from the date of transaction. Receivables are subjected to impairment testing based on present value of the estimated future cash flows.

Accounts receivable include a receivable from Kestrel Resources Phils., Inc. (Kestrel) amounting to P163,519,882 as of December 31, 2006 and 2005 which arose from an Assignment of Receivables executed between the ACIC and Kestrel on April 12, 2002. These receivables represent the balance of an equity margin loan of a previous customer after deducting a partial settlement through a *dacion en pago* arrangement, whereby the original debtor transferred to the Company certain condominium units valued at P65,280,000 (see Note 10). As part of the assignment, Kestrel grants the ACIC a call option on all but not part of the receivables, included uncollected but accrued earnings, which have not been collected at the time of the exercise of the call option. The call option is exercisable by the ACIC anytime prior to November 30, 2011. The exercise price of the call option is equal to the uncollected principal of the receivables. The portion of the receivables already collected prior to the exercise of the call option shall constitute the remaining obligation of Kestrel to the ACIC which is payable on or before December 31, 2011.

9. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amounts at the beginning and end of 2006 and 2005, and the gross carrying amounts and the accumulated depreciation and amortization of property and equipment are shown below:

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Balance at January 1, 2006, net of accumulated depreciation and amortization	P 47,708,873	P 315,550	P 169,735	P 443,163	P 201,782	P 178,363	P 49,017,466
Additions	-	-	-	1,613,870	161,979	-	1,775,849
Depreciation and amortization charges for the year	(3,151,039)	(109,916)	(115,181)	(473,554)	(80,969)	-	(3,930,659)
Impairment loss	-	-	-	-	-	(178,363)	(178,363)
Balance at December 31, 2006, net of accumulated depreciation, amortization and impairment loss	P 44,557,834	P 205,634	P 54,554	P 1,583,479	P 282,792	P -	P 46,684,293

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
December 31, 2006							
Cost	P 78,775,964	P 42,135,416	P 4,867,241	P 58,855,019	P 27,078,329	P 178,363	P 211,890,332
Accumulated depreciation and amortization	(34,218,130)	(41,929,782)	(4,812,687)	(57,271,539)	(26,795,537)	-	(165,027,676)
Accumulated impairment loss	-	-	-	-	-	(178,363)	(178,363)
Net carrying amount	P 44,557,834	P 205,634	P 54,554	P 1,583,480	P 282,792	P -	P 46,684,293
Balance at January 1, 2005, net of accumulated depreciation and amortization	P 50,859,912	P 893,265	P 487,872	P 360,921	P 169,096	P 178,363	P 52,949,429
Additions		200,121		379,840	108,883		688,844
Disposals	-	-	(24,564)	-	-	-	(24,564)
Depreciation and amortization charges for the year	(3,151,039)	(777,836)	(293,573)	(297,598)	(76,197)	-	(4,596,243)
Balance at December 31, 2005, net of accumulated depreciation and amortization	P 47,708,873	P 315,550	P 169,735	P 443,163	P 201,782	P 178,363	P 49,017,466
December 31, 2005							
Cost	P 78,775,964	P 42,135,416	P 4,867,241	P 57,813,098	P 26,916,350	P 178,363	P 210,686,432
Accumulated depreciation and amortization	(31,067,091)	(41,819,866)	(4,697,506)	(57,369,935)	(26,714,568)	-	(161,668,966)
Net carrying amount	P 47,708,873	P 315,550	P 169,735	P 443,163	P 201,782	P 178,363	P 49,017,466

Condominium units of the Parent Company with carrying amounts of P15,611,607 and P16,678,586 in 2006 and 2005, respectively, were used to secure the Group's bank loans payable (see Note 12). These condominium units are presented as investment properties in the Parent Company's separate financial statements, however, these are not qualified as investment properties in the consolidated financial statements since the properties are held for lease by the Parent Company to its subsidiary.

Impairment loss on the Parent Company's construction in progress amounted to P178,363 in 2006.

10. INVESTMENT PROPERTIES

A reconciliation of the carrying amounts at the beginning and end of 2006 and 2005 and the gross carrying amounts and the accumulated depreciation of investment properties is shown below:

Balance at January 1, 2006, net of accumulated depreciation and impairment loss	P 41,818,516
Depreciation for the year	(4,423,411)
Balance at December 31, 2006, net of accumulated depreciation and impairment loss	P 37,395,105

December 31, 2006		
Cost	P	72,280,000
Accumulated depreciation	(	32,990,217)
Accumulated impairment loss	(	1,894,678)
Net carrying amount	P	37,395,105
Balance at January 1, 2005, net of accumulated depreciation and impairment loss	P	48,345,195
Depreciation for the year	(	4,632,001)
Impairment loss	(	1,894,678)
Balance at December 31, 2005, net of accumulated depreciation and impairment loss	P	41,818,516
December 31, 2005		
Cost	P	72,280,000
Accumulated depreciation	(	28,566,806)
Accumulated impairment loss	(	1,894,678)
Net carrying amount	P	41,818,516

The Group's investment properties consist of condominium units held by ACIC. These investment properties pertain to condominium units located in Nasugbu and Batulao which were acquired and capitalized by ACIC as a result of the *dacion en pago* arrangement with a major customer in exchange for a partial settlement of his outstanding loans
(see Note 8).

11. OTHER ASSETS

The breakdown of this account follows:

		2006		2005
Goodwill	**P**	**84,584,951**	P	84,584,951
Creditable withholding taxes		**26,295,160**		15,560,013
Deferred oil exploration costs		**15,418,003**		15,418,003
Trading right		**1,408,000**		1,408,000
Computer software - net		**94,001**		105,098
Input VAT		**-**		3,351,345
Others		**1,642,235**		708,085
		129,442,350		121,135,495
Allowance for impairment of goodwill	(	**49,260,596)**	(	49,260,596)
Allowance for non-recoverability of deferred oil exploration costs	(	**15,418,003)**	(	15,418,003)
	P	**64,763,751**	P	56,456,896

11.1 Deferred Oil Exploration Cost

Deferred oil exploration costs represent mainly costs and related expenses incurred in connection with the Parent Company's participation in the exploration of oil under GSEC-57. The Parent Company believes that while the result of the exploration of the first well indicated that the area covered by the first well may no longer be viable, the potential of the remaining areas is still untested and, thus, future prospects and leads remain valid. In this regard, the consortium applied for its third Non-Exclusive Geophysical Permit which was approved by the Department of Energy on October 31, 1995. The Group's management asserts that the project is still viable and no write-offs have been made by the project proponents. Nonetheless, a full allowance for non-recoverability of deferred exploration cost is provided.

11.2 Trading Right

Trading right is assessed as having an indefinite useful life and is carried at cost less accumulated impairment loss. It is tested annually for impairment by comparing its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

As certified by the PSE, the last transacted price of the trading right was P5.5 million as reported in September 2006. Therefore, based from the comparison of the carrying amount amounting to P1.4 million and the recoverable amount, the trading right is not impaired.

11.3 Computer Software

A reconciliation of the carrying amounts at the beginning and end of 2006 and 2005 and the gross carrying amounts and the accumulated amortization of computer software is shown below:

Balance at January 1, 2006, net of accumulated amortization	P	105,098
Additions		75,000
Amortization for the year	(	86,097)
Balance at December 31, 2006, net of accumulated amortization	**P**	**94,001**
December 31, 2006		
Cost	P	11,693,391
Accumulated amortization	(	11,599,390)
Net carrying amount	**P**	**94,001**

Balance at January 1, 2005, net of accumulated amortization	P	195,103
Amortization for the year	(	90,005)
Balance at December 31, 2005, net of accumulated amortization	P	105,098
December 31, 2005		
Cost	P	11,618,391
Accumulated amortization	(	11,513,293)
Net carrying amount	P	105,098

11.4 Input VAT

In 2006, the Group wrote-off input VAT amounting to P1,173,259 since it assessed that future benefits from holding this asset will no longer be realized in future years.

12. INTEREST-BEARING LOANS AND BORROWINGS

As of December 31, this account consists of:

	2006	2005
Notes payable	**P 631,509,578**	P 412,702,729
Bank loans	**290,856,583**	308,184,772
	P 922,366,161	P 720,887,501

Notes payable represents short-term unsecured loans from various funders bearing annual interest at rates ranging from 7.5% to 11.5% in 2006, 5.5% to 12% in 2005 and 8.5% to 13.5% in 2004.

Bank loans consist of short-term and long-term borrowings obtained from local banks. These loans bear annual interest at rates ranging from 12.5% to 18% in 2006, 12% to 18% in 2005 and 11.75% to 20% in 2004. Long-term bank loans with outstanding balance of P44,111,841 in 2006 will mature in 2013.

These short-term borrowings are secured by the shares of stock pledged by the customers under the Equity Margin Financing of ACIC, condominium units, club shares and corporate guarantee of the Parent Company (see Notes 8 and 9).

Management considers the carrying amounts of short-term interest-bearing loans and borrowings recognized in the consolidated balance sheets to be a reasonable approximation of their fair values due to their short duration.

The fair values of long-term financial liabilities have been determined by calculating their present values at the consolidated balance sheet date using fixed effective market interest rates available to the Group. No fair value changes have been included in the consolidated income statements for the period as financial liabilities are carried at amortized cost in the consolidated balance sheets.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	Note	**2006**	2005
Customers/brokers		**P 732,252,755**	P 799,483,081
Accrued expenses		**53,107,747**	27,538,035
Retirement benefit obligation	15	**6,120,477**	5,043,566
Others		**58,818,398**	29,709,751
		P 850,299,377	P 861,774,433

The amounts due to customers are non-interest bearing and are normally settled within three days after trading date.

Management considers the carrying amounts of accounts payable and other liabilities recognized in the consolidated balance sheets to be a reasonable approximation of their fair values due to their short duration.

14. OTHER EXPENSES

This account consists of:

	2006	2005	2004
Professional fees	**P 14,022,081**	P 2,702,742	P 2,788,647
Exchange fees	**3,351,619**	1,561,739	1,030,397
Outside services	**3,202,281**	2,858,563	2,677,881
Condominium dues	**1,434,022**	1,451,963	1,346,521
Membership fees and dues	**1,406,843**	1,419,647	1,358,016
Repairs and maintenance	**1,400,068**	1,173,773	1,294,043
Office supplies	**1,371,742**	862,235	936,752
Bank charges	**1,205,132**	524,503	801,300
Insurance	**1,043,331**	1,026,163	1,060,866
Miscellaneous	**5,241,893**	1,905,274	2,369,953
	P 33,679,012	P 15,486,602	P 15,664,376

15. EMPLOYEE BENEFITS

This account consists of:

	2006	2005	2004
Salaries and wages	**P 15,050,157**	P 12,196,408	P 10,839,188
Bonuses	**2,609,609**	1,974,650	1,917,282
Staff benefits	**1,686,528**	1,960,596	1,779,860
Retirement benefits	**1,076,911**	782,479	792,650
Social security costs	**658,915**	606,684	561,941
Compensated absences	**146,644**	212,549	159,980
Other short-term benefits	**226,158**	142,319	181,073
	P 21,454,922	P 17,875,685	P 16,231,974

The Group obtained an actuarial valuation as of April 4, 2006 to determine the balance of retirement benefit liability and the amount of the retirement benefit expense as of that date in accordance with PAS 19, *Employee Benefits* and the provisions of RA 7641. Actuarial valuations are obtained regularly to update the retirement benefit costs.

15.1 Short-term Benefits

Short-term benefits given by the Group to key management personnel amounted to P11,938,259, P11,447,156 and P11,029,735, in 2006, 2005 and 2004 respectively.

15.2 Retirement Benefits

The amounts of retirement benefit obligation recognized and recorded as part of Accounts Payable and Other Liabilities (see Note 13) in the consolidated balance sheets are determined as follows:

	2006	2005
Present value of the obligation	**P 6,255,678**	P 5,178,767
Unrecognized actuarial gains	**(135,201)**	(135,201)
Retirement benefit obligation	**P 6,120,477**	P 5,043,566

The movements in the present value of retirement benefit obligation recognized in the books are as follows:

	2006	2005
Balance at beginning of year	**P 5,178,767**	P 3,416,096
Current service cost and interest cost	**1,076,911**	1,762,671
Balance at end of year	**P 6,255,678**	P 5,178,767

The amounts of retirement benefits recognized in the consolidated income statements are as follows:

	2006	2005	2004
Current service costs	P 455,459	P 325,711	P 376,437
Interest costs	621,452	478,253	416,213
Net actuarial losses recognized during the year	-	(21,485)	-
Retirement benefits expense	P 1,076,911	P 782,479	P 792,650

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2006	2005	2004
Discount rates	12%	12%	14%
Expected rate of salary increases	5%	5%	5%

16. TAXES

16.1 Current and Deferred Income Taxes

The components of tax expenses reported in consolidated income statements are as follows:

	2006	2005	2004
Current tax expense:			
Regular corporate income tax or RCIT (35% in 2006 and 32% and 35% in 2005)	P 10,706,060	P 1,123,993	P -
Minimum corporate income tax or MCIT (2%)	274,464	1,775,137	1,794,426
Final tax (at 20%)	250,363	230,574	119,885
	11,230,887	3,129,704	1,914,311
Benefit from application of MCIT against RCIT	(3,816,508)	(868,456)	-
	7,414,379	2,261,248	1,914,311
Deferred tax expense:			
Deferred tax relating to origination and reversal of temporary differences	579,195	5,738,974	48,793,542
Benefit from utilization of net operating loss carryover (NOLCO)			1,306,645
	579,195	5,738,974	50,100,187
Tax expense reported in consolidated income statements	P 7,993,574	P 8,000,222	P 52,014,498

The reconciliation of tax on pretax income (loss) computed at the applicable statutory rates to tax expense attributable to continuing operations is as follows:

	2006	2005	2004
Tax on pretax income (loss) (at 35% in 2006 and 2005 and 32% in 2004):	**P 10,942,240**	(P 26,229,786)	(P 17,593,662)
Adjustments for income subjected to lower income tax rates	**(362,232)**	(2,677,360)	(1,376,906)
Tax effects of:			
Unrecognized deferred tax assets	**2,520,727**	36,603,775	25,251,839
Non-deductible expenses	**2,530,060**	2,996,166	1,954,457
Expired NOLCO	**-**	2,657,917	13,062,218
Derecognized deferred tax assets	**-**	2,385,353	30,298,160
MCIT written off	**-**	1,093,498	776,191
Increase in deductible temporary differences due to change in RCIT rate	**-**	(8,677,807)	-
Recognition of previously unrecognized DTA	**(3,277,565)**	-	-
Applied MCIT	**(471,877)**	(9.609)	-
Non-taxable income	**(3,887,779)**	(141,925)	(357,799)
Tax expense reported in consolidated income statements	**P 7,993,574**	P 8,000,222	P 52,014,498

The net deferred tax assets as of December 31 related to the following:

	Consolidated Balance Sheets		**Consolidated Income Statements**		
	2006	2005	**2006**	2005	2004
Deferred tax assets (liabilities):					
Allowance for impairment losses	**P 38,186,479**	P 35,712,876	**(P 2,473,603)**	(P 2,379,723)	P 11,252,199
NOLCO	**7,903,444**	4,314,304	**(3,589,140)**	11,256,048	82,838,630
Accrued defined benefit obligation	**1,811,596**	531,162	**(1,280,434)**	(113,569)	(74,711)
Accrued short-term employee benefits	**53,059**	40,961	**(12,098)**	6,454	(2,882)
MCIT	**-**	3,344,632	**3,344,632**	858,847	(1,018,595)
Net unrealized foreign exchange losses (gains)	**-**	487	**487**	(878)	(178)
Allowance for nonrecoverable deferred tax assets	**-**	-	**-**	[illegible]	(44,162,726)
Fair value (gain) loss on financial assets at FVTPL	**(4,887,170)**	(297,819)	**4,589,351**	(3,888,205)	1,268,450
Net deferred tax assets	**P 43,067,408**	P43,646,603			
Deferred tax expense			**P 579,195**	P 5,738,974	P 50,100,187

The Group recognized deferred tax assets arising from 2006 NOLCO amounting to P7,903,444. The deferred tax assets relating to temporary differences that were not recognized by the Group as of December 31 are summarized below:

	2006	2005
NOLCO	P 45,737,408	P 64,014,588
Allowance for impairment losses	23,200,524	23,329,161
Allowance for non-recoverability of deferred oil exploration cost	5,396,300	5,396,300
Accrued retirement benefits	330,570	424,002
MCIT	274,463	-
Accrued short-term employee benefits	162,353	123,126
	P 75,101,618	P 93,287,177

The breakdown of NOLCO, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown below:

Year Incurred	Amount	Valid Until	Tax Effect
2006	P 22,581,268	2009	P 7,903,444
2005	60,835,726	2008	21,292,504
2004	69,842,583	2007	24,444,904
	P 153,259,577		P 53,640,852

The Group is subject to MCIT, which is computed at 2% of gross income, as defined under the tax regulations. MCIT reported in 2006 amounted to P274,464, which is available for offset against income tax payable until 2009. Also, in 2006, the Group applied all MCIT incurred in 2003 to 2005 amounting to P3,816,508 whereas, in 2005, the Company applied MCIT incurred in 2002 amounting to P868,456.

In 2005 and 2004, the Group wrote-off the remaining unapplied MCIT from 2002 and 2001 amounting to P1,093,498 and P776,191, respectively.

16.2 Changes in Tax Regulations

On May 24, 2005, Republic Act No. 9337 (RA 9337), amending certain sections of the National Internal Revenue Code of 1997, was signed into law and became effective beginning November 1, 2005. The following are the major changes brought about by RA 9337 that are relevant to the Company:

(a) RCIT rate is increased from 32% to 35% starting November 1, 2005 until December 31, 2008 and will be reduced to 30% beginning January 1, 2009;

(b) VAT rate is increased from 10% to 12% effective on February 1, 2006;

(c) VAT is now imposed on certain goods and services that were previously zero-rated or subject to percentage tax;

(d) Input tax on capital goods shall be claimed on a staggered basis over 60 months or the useful life of the related assets, whichever is shorter; and,

(e) Creditable input VAT is capped by a maximum of 70% of output VAT per quarter which is effective until the third quarter of 2006 (this cap was removed effective for quarters ending on December 31, 2006 and onwards).

17. LEGAL CLAIMS

The Group is either a defendant or plaintiff in lawsuits and legal actions arising from its various business activities. Management believes that the claims against the Group are either without merit or that the ultimate liability, if any, resulting from lawsuits and legal actions will not materially affect the Group's consolidated financial statements.

18. EARNINGS (LOSS) PER SHARE

Loss per share amounts for the years ended December 31, 2006, 2005 and 2004 are computed as follows:

	2006	2005	2004
Net income (loss)	**P 23,269,970**	(P 82,942,468)	(106,994,691)
Divided by the weighted average number of outstanding shares	**1,020,206,400**	1,020,306,400	1,020,306,400
Earnings (loss) per share	**P 0.02**	(P 0.08)	(P 0.10)

19. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The risk management activities at the level of each Company in the Group is coordinated with the Parent Company, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described in the next page.

19.1 Risk-Based Capital Adequacy Requirement

On November 11, 2004, the SEC issued Memorandum No. 16 to all brokers requiring the adoption of the risk based capital adequacy requirement/ratio (RBCA) for brokers and dealers in securities. The Memorandum provided guidelines for the adoption of the RBCA requirement covering position or market risk, credit risks and operation risks. Also, the Memorandum requires an RBCA ratio of greater than or equal to 1:1. The management of ABSEC is closely monitoring its compliance with this requirement.

19.2 Foreign Currency Risk

The Group is subject to foreign currency risk arising from its certain dollar denominated bank accounts (see Note 5). The Group is continuously monitoring the level of the balance of its bank accounts in foreign currency vis-à-vis its operating needs and the fluctuation of exchange rate in the market.

19.3 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated balance sheets (or in the detailed analysis provided in the consolidated notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's receivables are actively monitored to avoid significant concentrations of credit risk.

19.4 Liquidity and Cash Flow Interest Rate Risks

The Group has loans payable obtained from local banks and various funders through a related party. The Group is also obligated to pay the related interest on the said loan. The Group's liquidity and cash flow interest rate risks from loans and related interest are actively managed by means of financial support/guarantee from related parties and from operations.