COVER SHEET

2 8 7 8 8
S.E.C. Registration Number

M A K A T I F I N A N C E
C O R P O R A T I O N

(Company's Full Name)

2 N D F l o o r , M a k a t i
F i n a n c e C e n t e r 7 8 2 3
M a k a t i A v e . , M a k a t i C i t y
(Business Address : No. Street/City/Province)

ATTY. DANILO ENRIQUE O. CO
Contact Person

897-0749
Company Telephone Number

1 2 3 1
Month *Day*
Fiscal Year
2014

SEC Form 20 - IS
(Definitive Information Statement)
FORM TYPE

0 7 3 1
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

C R M D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

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

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

NOTICE OF THE 2014 ANNUAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on **31 July 2014, Thursday, 5:00 p.m.**, at the Manila A Function Room, **Makati Shangri-La Hotel**, Ayala Avenue, Makati City, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 25 July 2013.
4. Presentation and Approval of the 2013 Annual Report and 2013 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Declaration of Cash /Stock Dividends
7. Election of Directors
8. Appointment of Independent External Auditors
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 4 July 2014. Registration for the meeting shall be at 4:30 p.m. Please present and provide any proof of identification, such as driver's license, passport, or government issued I.D, to facilitate registration. The Annual Stockholders' Meeting is a business meeting and children shall not be allowed in the venue.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the corporation on or before 24 July 2014, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies shall be on 25 July 2014 at 10:30 a.m. at the principal office of the Corporation. Holders of proxies which have not been submitted and validated in accordance with the foregoing shall not be honored during the meeting. No proxy is being solicited.

7 July 2014.

ATTY. D. ENRIQUE O. CO
Corporate Secretary

/ MFC-NSJUL14 [CFA-LAW]

2/F Makati Finance Bldg., 7823 Makati Avenue, Makati City, 1200 Philippines
Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
Website: www.makatifinance.com

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box: 24

   [ ] Preliminary Information Statement
   [/] Definitive Information Statement 2:25 pm

2. Name of Registrant as specified in its charter **MAKATI FINANCE CORPORATION**

3. **MAKATI CITY, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **28788**

5. BIR Tax Identification Code **000-473-966**

6. **7823 MAKATI AVENUE, MAKATI CITY** — **1210**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code **(062) 890-06-21**

8. **July 31, 2014 5:00 p.m.** at **Manila A Function Room, Makati Shangri-la Hotel, Ayala Ave., corner Makati Ave., Makati City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 10, 2014**.

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON STOCK	**198,847,220**

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

    Yes / No

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    PHILIPPINE STOCK EXCHANGE — Common Stock

INFORMATION REQUIRED IN INFORMATION STATEMENT

Statement That Proxies are Not Solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Special Stockholders' Meeting of the Company will be held on **July 31, 2014, 5:00 p.m**. at the Manila A Function Room, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City. The complete mailing address of the principal office of Makati Finance Corporation is: 7823 Makati Avenue, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on **July 10, 2014**.

DISSENTERS' RIGHT OF APPRAISAL

The procedure to be followed in exercising the appraisal right of dissenting stockholders shall be in accordance with Section 81 to 86 of the Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

There are no matters to be taken up in the stockholders' meeting which would warrant exercise of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

Other than their election to the Board of directors, none of the incumbent Directors or Officers of the Company has any substantial interest, direct or indirect, in any matter to be acted upon in the Special Stockholders' meeting.

None of the Company's Directors has informed the Corporation in writing that he intends to oppose any action to be taken in the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2014** is **199,847,220** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors. Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code.

Stockholders of record of the Company as of **July 4, 2014** ("the Record Date") shall be entitled to notice of, and to vote at, the Special Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% AS OF MAY 31, 2014)

Title of Class	Name and Address of Record Owner	Name/Address of Beneficial Owner	Citizenship	Amount of Ownership	Percentage Held
Common Shares	Amalgamated Investment Bancorporation -11/F Multinational Bancorporation Bldg. 6805 Ayala Avenue, Makati City (Stockholder)	Same	Filipino	137,050,820	68.58%
Common Shares	MF Pikeville Holdings/Pikeville Bancshares - 11/F Multinational Bancorporation Bldg. 6805 Ayala Avenue, Makati City (Stockholder)	Same	Filipino	13,617,635	6.81%
	TOTAL			150,668,455	75.39%

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT (AS OF MAY 31, 2014)

Title of Class	Name of Beneficial Owner	Amount of Ownership	Nature of Ownership	Citizenship	Percentage Ownership
Common	Michael Wee Soon Lock	7,939,097	R	Singaporean	3.97%
Common	Rene B. Benitez	4,572,329	R	Filipino	2.29%
Common	Joel S. Ferrer	1,932,754	R	Filipino	0.97%
Common	Teresita B. Benitez	367,770	R	Filipino	0.18%
Common	Max O. Borromeo	397,892	R	Filipino	0.20%
Common	Isidro B. Benitez	137,536	R	Filipino	0.07%
Common	Eric B. Benitez	5,350,773	R	Filipino	2.68%
Common	Jose V. Cruz	1	R	Filipino	0.00%
Common	Juan Carlos del Rosario	29	R	Filipino	0.00%
Common	Francisco C. Eizmendi Jr.	15	R	Filipino	0.00%
Common	Eugenio E. Reyes	15	R	Filipino	0.00%
	All directors & officers as a group	**20,698,211**			**10.36%**

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Juan Carlos del Rosario. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

No changes in control has occurred since the beginning of the last fiscal year.

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Rene B. Benitez, Chairman and Dr. Isidro B. Benitez, Mr. Max O. Borromeo, Atty. Eugenio E. Reyes and Mr. Michael Wee as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. This is in accordance with memorandum circular no. 16 of the Securities and Exchange Commission. The incumbent members of the Board of directors are expected to be nominated during the Stockholders' Meeting, for the term 2014 to 2015, as follows:

1. Mr. Juan Carlos del Rosario
2. Ms. Teresita B. Benitez
3. Mr. Max O. Borromeo
4. Mr. Rene B. Benitez
5. Mr. Joel S. Ferrer
6. Mr. Francisco Eizmendi Jr.
7. Atty. Eugenio E. Reyes
8. Mr. Michael Wee Soon Lock
9. Mr. Eric B. Benitez
10. Mr. Jose V. Cruz
11. Mr. Lawrence Hock Leong Ee

Pursuant to SRC Rule No. 38 on procedures or nomination and election of independent directors, Atty. Eugenio Reyes and Mr. Francisco Eizmendi, Jr. have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Atty. Reyes and Mr. Eizmendi up to the fourth degree either by consanguinity or affinity.

The nomination Committee shall propose that Dr. Isidro B. Benitez be bestowed the honorary title of Chairman Emeritus in recognition of his exemplary contributions to the Corporation and his key role as founder and Chairman of the Corporation. Chairman Emeritus is considered an honorary title and is not considered an officer of the Corporation nor a by-laws position. The Chairman Emeritus shall not exercise any formal duties and /or responsibilities within the Corporation.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors elected who shall serve for a term of one (1) year or until their successors shall have been elected, and their business experience for the last five years:

Mr. Juan Carlos del Rosario, 64, Filipino, has served as a Director since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurances Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

Ms. Teresita B. Benltez, 79, Filipino, is the Company's Vice Chairperson. She has been a Director since 2001. She had previously worked for the Philippine Bank of Commerce as Assistant Personnel Manager and United Coconut Planters Bank as Assistant Corporate Secretary. She had also been a director at Asiatrust Bank and Amalgamated Development Corporation. At present she is the Treasurer and Director of Nationwide Health Systems and FLB Development Corporation and the President of MERG Realty and Development Corporation. Ms. Benitez obtained a Bachelor of Science degree in Commerce from the University of San Francisco.

Mr. Max O. Borromeo, 65, Filipino, is the Company's President. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is concurrently President and a Director of Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc. He is also a Director in the following companies: Borromeo Brothers Estate, Inc., Margarita Agro-Industrial Corp., Salud Borromeo Foundation, Inc. and McBros Development Corporation. At present, Mr. Borromeo is the governor of the Cebu Business Park. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Rene B. Benitez, 52, Filipino, is the Company's Chairman. He has been a Director since 1996. Prior to joining the Company, he held the position of Country Manager of the Development Bank of Singapore ("DBS") Securities, Inc. He has had extensive experience in foreign and local investment banking and capital market operations, having been connected with Insular Investment and Trust Corporation, Shearson Lehman Brothers (USA), Prudential Bache Securities (USA) and the World Bank. He was formerly a member of the Philippine Stock Exchange and is currently Director of H. Thomas Group, Inc., Vision Air Flight Support Service, Inc., Pikeville, Inc., MERG Realty and Development Corporation, Commercial & Consumer Credit Corporation, Global Credit and Management Group, JCR Realty and Management and Interglobal Alliances. He graduated from Claremont Colleges / Pitzer College with a double degree in Business Economics and Organizational Studies. He also has a Master's Degree in Economics from Yale University.

Mr. Joel S. Ferrer, 60, Filipino, has served as a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., an overseas recruitment company. At the same time he also manages his family's aquaculture business. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., 78, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently a Director of RCBC Forex Brokers Corporation. Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Atty. Eugenio E. Reyes, 77, Filipino, is one of the Independent Directors of the Company. He was elected as a Director only in the last quarter of 2003. Atty. Reyes is with Jacob Jacob & Associates, concurrently the Corporate Secretary of Parman, Inc. and Executive Secretary of the Philippine Association of Securities Brokers and Dealers, Inc. He was also a former Director of the Securities & Exchange Commission from 1999 to 2001. Atty. Reyes finished his Bachelor of Laws at the University of Southern Philippines in Cebu City.

Mr. Michael Wee Soon Lock, 78, Singaporean, has served as a Director since 1998. Mr. Wee is a senior ASEAN banker and retired Executive Chairman of Development Bank of Singapore Securities Holding PTE Ltd. He has held the positions of the Chairman of NatSteel Ltd., Deputy Chairman of DBS Land, Executive Vice President of the Development Bank of Singapore, General Securities Investments Ltd., Singapore Bus Service Ltd., Laguna National Golf and Country Club, Ltd. and was the Director of NFC Merchant Bank, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of Birmingham and obtained his Masters Degree in Finance from the University of British Colombia.

Mr. Jose V. Cruz, 68, Filipino, has served as a Director since 2010. Mr. Cruz is currently the President and CEO of Amalgamated Investment Bancorporation ("AIB"). Prior to joining AIB, he has had extensive experience in foreign and local investment banking, commercial banking, and capital market operations,having been based in New York, London, the Middle East, Singapore, and Hongkong. He was formerly Managing Director in AIA Capital Corporation, a Hongkong based regional investment bank (focused on corporate finance in Asia) previously owned by the publicly listed pan-Asian insurance group, AIA Group Limited. He was also a Board Member of AIA Capital's investment banking subsidiaries located in Taiwan, India, and the Philippines. Prior to AIA Capital, he was Senior Vice President of AFC Merchant Bank, a Singapore-based consortium bank owned by leading Southeast Asian banks, including DBS Bank, Bangkok Bank, and Malayan Bank. He was previously Vice President and CFO of MERALCO and a Board member of Royal Dutch Shell's subsidiary in the Philippines. He started his career as an officer in the 1970s in Citigroup (then called Citibank) head office, New York. He received his MBA from Columbia University, New York City.

Mr. Eric B. Benitez, 47, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Lawrence Hock Leong Ee, 72, Singaporean, he is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation.

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Francisco C. Eizmendi Jr. and Atty. Eugenio E. Reyes were elected as the two (2) Independent Directors of the Company at the **2013** Annual Stockholders' Meeting.

SENIOR MANAGEMENT

Ms. Cynthia M. Gacayan *– Chief Operating Officer, 59, Filipino.* Cynthia was employed by the Company in 2007 as its new CFO and in June 2008 was designated as Chief Operating Officer. She was the CFO/Finance Group Head of Cintree Management Services, Inc. (managing arm for the PJ Lhuillier companies) for 2 years. For 10 years she served as the Senior Vice President of Finance and Administration of the Science Park of the Philippines, Inc. (1990 – 2001). She also served as a Director for the Kyudenko Needs Creator IT Company from 2002 to 2005. Subsequently she became the CFO of Cintree Management Services Inc. in 2005 to 2007. She graduated with a Bachelor of Science degree in Accounting from the University of San Carlos in 1975. She completed her master's degree in Business Management from the University of the Philippines in 1984 and finished the Top Management Program of Asian Institute of Management in 1997. She informed the board that she will be retiring for the company effective 30 June 2014.

Atty. Danilo Enrique O. Co*, Corporate Secretary and Legal Counsel, 45, Filipino.* Atty. Co has been serving the Corporation has its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer & Ang-Co Law Offices. He is also a Director and/or Corporate Secretary of several other Philippine corporations, including Western Roadhouse Foods, Inc., Amalgamated Investment Bancorporation, Cuervo Appraisers, Inc. and Kalayaan College. Atty. Co obtained his BS Business Administration (*cum laude*) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Mr. Rene B. Benitez and Eric B. Benitez are sons of Ms. Teresita B. Benitez.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers was involved during the past five years up to **May 31, 2014** in any bankruptcy proceedings up to **May 31, 2014**. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, not any action by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 20

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

Outstanding balances/Amount/Volume

Category	2013	2012	Nature, Terms and Condition
Parent Company			
Amalgamated Investment Bancorporation			
Other receivables	**₱80,514**	₱510,415	Adjustment from 2% to 20% expanded
Availments	**-**	520,307	withholding tax of AIB
Settlements	**429,901**	-	Payments of EWT of previous year on Company's claim for reimbursement.
			Unsecured, 1-year interest bearing placement
Notes payable	**645,300,000**	512,300,000	at 6.75% annual interest rate
Availments	**168,000,000**	94,000,000	Pretermination of notes payable
Settlements	**35,000,000**	67,500,000	
Interest Expense	**33,973,088**	33,666,119	Interest payment on notes payable
Share in Net Income of an Associate	**41,120,108**	67,036,675	Share in income from investee's profit
			Cash dividend from AIB
Dividend received	**32,400,000**	5,400,150	
Other Related Parties			
Motor Ace Philippines Inc.			
Other receivable	**1,207,672**	601,178	Non-interest bearing, unsecured
Availments	**645,394**	974,897	Payment of billing
Settlements	**38,900**	373,719	

Outstanding balances/Amount/Volume

Category	2013	2012	Nature, Terms and Condition
Accounts payable	**38,508,864**	27,253,037	30-day unsecured, non-interest bearing
Availments	**396,939,782**	295,831,196	liability representing billings for motorcycle
Settlements	**385,683,955**	283,079,446	units financed by the Company Payment for billings of financed motorcycle units
Pikeville Bancshares			
Professional fees	**1,193,920**	751,380	Payment of professional fees
MERG Realty Development Corporation			
Accounts receivable	**38,835**	30,643	
Availments	**38,835**	33,779	Availment of comprehensive insurance
Settlements	**30,643**	3,136	Payment of insurance billing
Interest Expense	**2,190,000**	2,372,500	Interest payment on notes payable
Directors and other stockholders			
Notes payable	**94,349,786**	86,202,427	Unsecured, 1-year interest bearing placement
Availments	**20,952,889**	3,000,000	at 6.0% annual interest rate.
Settlements	**12,805,530**	-	Pretermination of notes payable
Interest expense	**3,629,114**	1,846,629	Interest payments for notes payable.
Professional Fees and other Management Fees	**4,946,395**	4,125,838	Payment of professional fees
Key Management Personnel			
Notes Payable	**16,600,000**	12,400,000	
Availments	**4,200,000**	12,400,000	Unsecured, 1-year interest bearing placement
Settlements	**-**		at 6.0% annual interest rate. Pretermination of notes payable
Other Accounts Receivable	**3,571,954**		
Availments	**4,000,000**		Secured, interest-bearing
Settlements	**664,078**		Payment of receivable
Interest Expense	**571,162**	342,117	Interest payment on notes payable

Borrowings availed from related parties amounted to ₱756.25 million, ₱610.90 million and ₱428.00 million in 2013, 2012 and 2011, respectively, and settlement from borrowings amounted to ₱145.35 million, ₱103.61 million and ₱206.38 million in 2013, 2012 and 2011, respectively. Interest rates from borrowings range from 5.44% to 7.75% in 2012, 5.44% to 7.75% in 2011 and 7.5% to 8.00% in 2010. Borrowings from related parties are unsecured and to be settled in cash.

As of December 31, 2013 and 2012, notes payable and accrued interest payable arising from borrowings through other stockholders amounted to ₱645.30 million and ₱512.30 million, respectively, and nil and ₱0.075 million, respectively. Interest expense from these borrowings amounted to ₱33.97 million, ₱34.0 million and ₱34.76 million in 2013, 2012 and 2011, respectively.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱4.40 million, ₱4.47 million and ₱5.50 million in 2013, 2012 and 2011, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY/MANAGEMENT FEE**	**BONUS**	**OTHER COMPENSATION**
2014 (Estimates)	Top 5 Executive Officers: Max Borromeo – President Teresita Benitez – Vice President Rene B. Benitez – Chairman Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	*** 6,900,000**	***785,000**	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	6,900,000	1,600,000	2,110,000
2013	Top 5 Executive Officers: Max Borromeo – President Teresita Benitez – Vice President Rene B. Benitez – Chairman Cynthia M. Gacayan – COO/CFO Aldrin B. Pontanares – Operation Manager	6,700,000	922,038	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	6,700,000	1,526,653	2,110,000
2012	Top 5 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO Aldrin B. Pontanares – Operation Manager	7,000,000	400,000	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,000,000	913,672	2,210,000
2011 (Actual)	Top 5 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO Albert J. Batacan - Manager	7,850,000	484,000	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,850,000	1,150,000	1,900,000

**The Chief Finance Officer, Mr. Marcos E. Larosa's salary and bonus computation is for the period of July 01 to December 31,2014 only.*

The Company has an existing management contract with Cebu Maxi Mgmt. Corporation for advice and assistance to be provided by Mr. Max O. Borromeo and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez. The directors receive per diem each amounting to ₱ 50,000.00 for every attendance at a Board meeting or any meeting of the Board Committees. There are also no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered.

IDENTITY OF SIGNIFICANT EMPLOYEES

There is no person who is not an executive officer who is expected to make a significant contribution to the business of the company.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Sycip Gorres Velayo & Co. ("SGV & Co.") is the current independent auditor of the

Company for the calendar year 2013. There had been no disagreements with SGV & Co. with regards to accounting policies and financial disclosures of the Company. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding the rotation of its external auditors or engagement partners every five years. Ms. Janeth Nunez is the SGV engagement partner of the Company.

The representatives of the said firm are expected to be present at the shareholders' meeting. Will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

The Audit Committee shall make a recommendation on the appointment of the Company's independent auditor for fiscal year 2014, at the scheduled annual stockholders' meeting.

The Company's Audit Committee is comprised of the following: Mr. Francisco C. Eizmendi Jr., as Chairman and Mr. Teresita B. Benitez, Max O. Borromeo, and Jose V. Cruz as members.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2006, the Board of Directors approved the following: 30% of the audited net income after tax of P 16,205,137 is P 4,861,541 of which 50% was declared as stock dividends amounting to₱2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to P83,117,897 is ₱6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of P12,193,904 is P3,658,170, 50% of the amount, P1,829,066 was declared as stock dividend. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008.

For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of P5,465,094 is P1,639,528, 50% of the amount, P819,716 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2010, the Board of Directors approved the following: 30% of the audited net income after tax of P10,748,518 is P3,224,556, 50% of the amount P1,612,240 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2011, the Board of Directors approved the following: 30% of the audited net income after tax of P12,355,253 is P3,706,576, 50% of the amount P1,853,245 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2012, the Board of Directors approved the following: 30% of the audited net income after tax of P13,827,722 is P4,148,317, 50% of the amount P2,074,121 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2013, the Board of Directors approved the following: 30% of the audited net income after tax of P16,301,689 is P4,890,507, 50% of the amount P2,445,209 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

In 2014, it is expected that the Board shall proposed dividend declaration of 30% of 2013 Net Income After Tax in the next BOD Meeting in July 31, 2014.

OTHER MATTERS

PROPOSED ACTION

The following matters will be submitted to a vote at the Annual Meeting of the stockholders:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 25, 2013.
2. Presentation and Approval of the 2013 Annual Report and the 2013 Audited Financial Statements

   A copy of the 2013 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2013 Annual Report will be presented during the Annual Stockholders' Meeting.

3. Declaration of Dividends (50% cash and 50% stock)

   The dividend policy dictates that 30% of 2013 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 31, 2014.

4. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting

   All acts and proceedings taken by the Directors and Corporate Officers relate mostly to the regular business transactions wherein the Board of Directors is required to act upon. These actions are subjected to annual review of the Company's independent auditors. Major items are as follows:

   a. Approval of audited financial statements
   b. Approval of Corporate budget
   c. Election of Directors/Officers/Committees
   d. Approval of credit facilities
   e. Appointment of signatories to bank accounts
   f. Approval of dividends (cash/stock)
   g. Approval of the minutes of the previous meetings
   h. Execution of contracts and investments in the ordinary course of business

   Upon prior written request, copies of the Minutes of the Meetings of the Board of Directors may be examined by stockholders of record as of Record Date at the office of the Corporate Secretary at Co Ferrer & Ang-Co Law Offices at 11/F Atlanta Center, 31 Annapolis St., Greenhills, San Juan, Metro Manila at a mutually agreed time, during regular office hours.

5. Election of Directors

   The same Directors are expected to be re-elected except for the possible election of new Directors.

6. Appointment of External Auditor

The Audit Committee shall make a recommendation on the appointment of the Company's independent auditor for fiscal year 2014.

VOTING PROCEDURES

The affirmative vote of stockholders present in person or by proxy representing at least a majority of the outstanding capital stock of the Corporation shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting. Matters to be approved under "Other Matters" of the agenda, if any, shall be approved by stockholders owning majority of the shares of stock present during the annual stockholders' meeting or such other voting requirement as may be mandated by law.

The manner of voting and counting of votes will be as follows:

a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of July 4, 2014. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before July 24, 2014 for inspection and recording shall be honored for purposes of voting.

b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.

c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (I) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.

d) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The registrant undertakes to provide *without charge* to each stockholder a copy of the Company's Annual Report on SEC Form 17-A upon written request to the Company addressed to:

ATTY. DANILO ENRIQUE O. CO
Corporate Secretary
Makati Finance Corporation
2/F Makati Finance Center
7823 Makati Avenue, Makati City

UNDERTAKING TO PROVIDE UPDATED CERTIFICATION OF INDEPENDENT DIRECTOR

The registrant undertakes to provide SEC the updated Certificate of Qualification and Disqualification of Independent Directors within thirty (30) days after the Annual Stockholders' Meeting in July 31, 2014.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Issuer

ATTY. DANILO ENRIQUE O.CO / Corporate Secretary
Signature and Title

Date: July 10, 2014

MAKATI FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2014

In 2014, MFC will continue to exploit the phenomenal growth in the motorcycle industry through the extensive marketing of its affordable motorcycle financing plans. We shall continue to explore other financial products and we also continue to pursue the plan to explore into the savings bank sector. Meanwhile, our current thrust is to pursue further growth in our motorcycle financing accounts. We will continue to maintain a strong quality portfolio in the doctor's loan market and our factoring accounts.

Lending Activities

Being its core business, the Company's thrust is into expanding and strengthening its foothold on its lending operations of niche markets and at the same time exploring with the intention of venturing into new niche markets that will guarantee sustained growth.

MFC positions itself as a player in serving the financing needs of the often neglected middle markets in the Philippines. Because of the vast experience it has gained, the Company's lending activities and loan products will continue to be focused on the niche consumer loan market and SME markets. MFC will also continue and raise the quality of service it provides to its clients. Its future plans and prospects include the following:

- Continue to ride on the projected growth of the motorcycle industry as per Motorcycle Development Program Participant's Association.
- Continue partnerships with existing motorcycle dealers in their expansion and development of new trading areas in the northern area of Luzon.
- Implement the expansion of target markets to municipalities beyond Metro Manila
- Continuous growth in the portfolios of the Company's two (2) main credit facilities (Motorcycle Financing and Rx Cash Line)
- Continue maintaining good quality accounts in our high ticket facility (Factoring)

Funds Generation

We currently have a P600 million facility with AIB, a P100 million term loan with Security Bank, P25 million term loan facility with BPI, a P4 million term loan & P1 million BP facility with Union Bank and a P30 million term loan with Maybank. The Company, with the assistance of AIB, is in discussions with other financial institutions to raise additional funds to finance MFC's growth.

Currently fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets._

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with SGV & Co. with regards to accounting policies and financial disclosures of the Company. Ms. Jessie Cabaluna, SGV Partner, has been the reviewer/auditor of the Company since year 2006, and not yet having completed the five-year cap requirement of SEC, has been replaced by Ms. Janeth Nuñez, SGV partner effective year 2009. The change in handling partner was part of SGV & Co.'s internal policy of account rotation. There was no disagreement with prior handling partner on accounting and financial disclosures. Ms. Janeth T. Nuñez replaced Ms. Jessie D. Cabaluna both partners of SGV & Co. for the year ended December 31, 2012.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has paid SGV & Co. P436 thousand and P511 thousand for the years 2013 and 2012 respectively. The Company has not engaged SGV & Co. for tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the Board of Directors. Recommendations by the audit committee are then deliberated during the Board meetings.

Discussion of Past Financial Performance

As of December 31, 2013

Results of Operation
The audited financial statements of the Company reflected a Net Income After Tax for the year ending December 31, 2013 at ₱ 23.1 million.

In 2013 MFC continued its focus on strengthening the operations and services of its existing outlets. It went into a total review of the portfolio and evaluating the status for each account. Collectability of those accounts which had been non-moving for a number of months were evaluated and determined as either for special collection efforts or for write-off. Completeness of documents for each account were analyzed and accounts with incomplete documents were rectified and those non-rectifiable accounts were recommended for write-off. The process flow of outlet operations were reviewed and streamlined. Management also focused on improving and beefing up manpower on its back-room operations. The Company now has a wider reach in the offer of its services resulting in a rise in the amounts financed and the corresponding rise in income generation. Volume of motorcycle units financed increased by 43%, from 9,156 motorcycle units in 2012 to 13,109 motorcycle units in 2013.

Net interest income went up to ₱150.07 million from ₱132.08 million in 2012, a 13.6% increase. Expenses likewise increased from ₱127.63 million in 2012 to ₱198.54 million in 2013. The increase is the result of write-offs after the total review and analysis of the MC financing portfolio.

Interest income in 2013 amounted to ₱198.6 million; general breakdown of which was ₱19.7 million from Rx, ₱9.3 million from Factors and ₱169.5 million from MC Financing.

With the resulting income in 2013, Earnings Per Share in 2013 was at ₱0.118. Likewise, Return on equity (ROE) in 2013 was at 6.9% while Return on Assets was 1.8%.

Financial Condition and Capital Resources

In 2013 total assets increased by P159.50 million as against that in 2012, from P1,133.64 million to P1,293.14 million which was primarily due to increase in our loan portfolio on products being offered. There was also a noticeable increase in our notes payable by P128.03 million as compared to that in 2012.

Net Interest Income
The net interest income this year was up by 13.62% in absolute amounts P132.08 million in 2012 to P150.07 million in 2013.

Other Income
Other income increased by ₱16.81 million or 131.57% from December 2012.

Income Before Income Tax
Income before income tax decreased by 36.50% from December 2012.

Net Income
The Company posted a net income of ₱23.10 million compared to ₱ 28.61 million in 2012 (restated) or an decrease of 19.25%.

As of December 31, 2012

Results of Operation

Net Income after tax for the year ending December 31, 2012, as reflected in the audited financial statements, was at ₱ 16.3 million. This was a 17.9% increase over the NIAT of 2011, or an increase of ₱ 2.47 million. A revaluation on the investment of MFC with Amalgamated Bancorporation Inc. for a net of ₱ 12.31 million which resulted to Net Income after tax to be at ₱ 28.61 million

Total net interest income rose from ₱ 126.95 million in 2011 to ₱ 132.08.million in 2012, a 4% increase from 2011 to 2012 performance. Total other income was at to ₱ 18.18 million, an increase of ₱ 9.19.million, 102.3% higher than in 2011. Total expenses in 2012 reached ₱ 121.5 million which was ₱ 10.72 .million or 9.2% higher than the ₱ 116.79 million expenses in 2011.

Interest income in 2012 amounted to ₱ 176.56 million; major breakdown of which is ₱ 16.84 million from Rx, ₱ 7.32 million from Factors and ₱ 148.12 million from MC Financing

This year MFC reorganized and re-aligned some functions and responsibilities. The focus was on strengthening the operations, services and operating controls of its existing outlets.

With the higher income in 2012, Earnings Per Share in 2012 went up at ₱ 0.08 compared to ₱ 0.07 in 2011. Likewise, Return on equity (ROE) in 2012 was at 1.5% which was the same as in 2011 while Return on Assets was at 6.5%, slightly better as that in 2011.

Financial Condition and Capital Resources

In 2012 total assets increased by ₱ 175 million as against that in 2011, from ₱ 958 million to ₱ 1,134 million which was primarily due to the increase in our motorcycle financing loan portfolio. There was also a noticeable increase in our notes payable by ₱ 145 million as compared to that in 2011.

Net Interest Income
Net interest income increased 4.4% or P5.13 million as against that in 2011. The Company increased in interest expense from P29.6 million to P44.5 million.

Other Income
Other income increased by ₱7.39 million or 137.3% from December 2011.

As of December 31, 2011

Results of Operation

MFC ended the year 2011 with Net Income after Tax at ₱13.82 million. This was an increase against the 2010 NIAT of ₱12.36 million, or a 12% increase. Interest income in 2011 amounted to ₱156.6 million from our 3 major products: ₱16.9 million from Rx, ₱8.3 million from Factors and ₱128.0 million from Motorcycle Financing. The revaluation on the investment of MFC with Amalgamated Bancorporation Inc. gave rise to a net adjustment of ₱ 5.7 million which resulted to Net Income after tax to be at ₱ 19.52 million

Midway in the year, Management decided to defer its projected geographical expansion due firstly to a slowdown in the economies world-wide. The economic contractions were prominent in Europe, USA and Japan. Additionally, the continued unrests erupting in various areas in the Middle East brought a level of uncertainties and lack of job security for a lot of our Overseas Filipino Workers. All these add up to the Peso volatility which greatly affected a bulk of our motorcycle customers. Secondly, minimal government spending stunted economic growth as well as the spending capability of most of our customers. And thirdly, Luzon was battered with a lot of typhoons and bad weather which directly impacted client solicitations and collection efficiencies.

MFC then took this opportunity to focus on strengthening the operations and services of its existing outlets. It went into the re-aligning of functions & responsibilities and strengthening of operational controls. Management also focused on improving and beefing up manpower on its back-room operations and completing the conversion of the manual financing system to an automated one.

With the resulting income in 2011, Earnings Per Share in 2011 was a slight increase at P0.07. Likewise, Return on equity (ROE) in 2011 was at 6% while Return on Assets was 1.5%.

Loan portfolio in 2011 amounted to ₱738 million. Of the three major products: Motorcycle financing, Rx Cash Line and Factors, Motorcycle financing took the biggest share at 86% while Factors had 8% closely followed by Rx Cash Line at 6%.

Financial Condition and Capital Resources

In 2011 total assets increased by P238.2 million as against that in 2010, from P666.7 million to P904.9 million. This increase was primarily due to the increase in our loan portfolio of products being offered. An increase in our portfolio necessitated for an increase in our borrowings which resulted in the noticeable increase in our notes payable by P251.9 million compared to that in 2010.

Net Interest Income

Interest expense decreased 7.66 percent or P2.46 million as against that in 2010. The Company decreased in interest expense from P32.1 million to P29.6 million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income decreased by ₱.12 million or 1.31% from December 2010.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 21.66% from December 2010.

<u>As of December 31, 2010</u>

Results of Operation

The audited financial statements of the Company reflected Net Income after tax for the year ending December 31, 2010 at P12.36 million. This was a 15% increase over the NIAT of 2009, or an increase of P1.61 million.

The Company continued to implement its geographical expansion for the Motorcycle Financing line. Sixteen (16) new trading areas were established by our dealer partners in 2010 making a total of twenty eight (28) trading areas, where MFC absorbed all their financing transactions. The company has now a wider reach in the offer of its services resulting in a rise in amounts financed and the corresponding rise in income generation.

Operating income went up to P80.92 million from P58.18 million in 2009, a 39% increase in 2010 performance which was expected with the more than double geographical reach. Expenses likewise spiked up from P48.38 million in 2009 to P71.26 million in 2010. Expansion-related expenses like salary and compensation related expenses, recruitment and training costs, advertising and marketing costs, depreciation costs for new fixed assets, office supplies and forms that needed to be stocked up on and other overhead costs to support the increased number of trading areas were noted to be high. These expansion-related up-front costs were incurred sans corresponding equitable income recognition

Financial Condition and Capital Resources

In 2010 total assets increased by P212.0 million as against that in 2009, from P454.6 million to P666.6 million which primarily due to the increase in our loan portfolio of our products being offered. There is also a noticeable increase in our notes payable by P165.2 million and other payables by P33.3 million as compared to that in 2009 which increased activities due to the geographical expansion in our trading areas.

Interest Income
The interest income this year was up by 62% from interest income for the year 2009.

Net Interest Income
Interest expense increased by 174 percent. The Company's reduction in net interest income is attributable mainly with the increased in interest expense by ₱20.4million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income
Other income decreased by ₱.3million or 4.4% from December 2009.

Income Before Income Tax
Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax decreased by 2.6.1% from December 2009.

Net Income
The Company posted a net income of ₱ 12.36 million compared to ₱ 10.75 million in 2009 or an increase of 15%.

KEY PERFORMANCE INDICATORS:

Following are the top five (5) key performance indicators of the Company.

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

	2013	2012
Solvency and Liquidity Ratios		
Current ratio	117.38%	119.28%
Debt to equity ratio	280.98%	256.74%
Quick ratio	159.14%	151.37%
Profitability Ratios		
Return on assets	5.83%	7.60%
Return on equity	21.54%	26.17%
Net profit margin	26.28%	38.38%
Asset to Equity Ratio	380.98%	356.74%

Interest Rate Coverage Ratio	**145.81%**	**178.73%**
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	**0.20%**	**0.23%**
Total receivables to total assets	**76.11%**	**71.99%**
Total DOSRI receivables to net worth	**1.66%**	**0.70%**
Amount of receivables from a single corporation to total receivables:		**12.21%**
Merg Realty and Development Corporation	**0.28%**	**0.60%**
Honda Motors World, Inc.	**17.99%**	**12.49%**

Computation for the Ratios:

- Current Ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

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

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

There are no material off-balance sheet transactions, arrangement or obligation.

CAPITAL EXPENDITURES

The Company had started to implement in April 2009 the geographical expansion for the Motorcyle Financing line. This resulted to invest in buying new office equipments, furnitures and vehicles as service unit for the CSR.

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

There are no known trends, events or uncertainties with material impact on sales.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

Significant elements of net income of the Company for 2009 came from its continuing operations.

SEASONAL ASPECTS

There was no seasonal aspect that had material effect on the Company's financial condition or results of operation

HOLDERS OF COMMON STOCK as of May 31, 2014
TOP 20 Stockholders

There are a total of 101 stockholders as of May 31, 2014.

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INV. BANCORP.	FIL	common	137,050,820	68.577797%
MF PIKEVILLE HOLDINGS INC.	FIL	common	13,617,635	6.814023%
PCD NOMINEE CORPORATION	FIL	common	8,158,678	4.082458%
MICHAEL WEE	FOR	common	7,939,097	3.972583%
BORROMEO BROS. ESTATE INC.	FIL	common	6,269,592	3.137193%
ERIC B. BENITEZ	FIL	common	5,350,773	2.677432%
MELLISSA B. LIMCAOCO	FIL	common	4,802,330	2.403001%
RENE B. BENITEZ	FIL	common	4,572,329	2.287912%
GLENN B. BENITEZ	FIL	common	4,572,329	2.287912%
JOEL FERRER	FIL	common	1,932,754	0.967116%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	common	947,197	0.479831%
MARY GRACE V. REYES	FIL	common	580,000	0.290222%
TERESITA B. BENITEZ	FIL	common	367,770	0.184026%
PCD NOMINEE CORPORATION	FOR	common	347,145	0.173705%
MERG REALTY DEVELOPMENT	FIL	common	331,526	0.165890%
FLB DEVELOPMENT CORPORATION	FIL	common	262,457	0.131329%
MELISSA B. LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	common	228,596	0.114385%
MELISSA B. LIMCAOCO ITF MICHAELA LIMCAOCO	FIL	common	228,596	0.114385%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	common	228,596	0.114385%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	common	228,596	0.114585%
SUB-TOTAL			**198,016,816**	**99.084098%**
OTHER STOCKHOLDERS (81)			1,830,404	0.915902%
GRAND TOTAL (101 stockholders)			**199,847,220**	**100.000000%**

As of March 31, 2014, of the total number of shares issued and outstanding, the Company has a public float of 10.17% which is in compliance as required by the PSE. Likewise, the foreign owned shares comprise of only 4.15%.

MARKET SHARE INFORMATION

The Company was listed in the Philippine Stock Exchange on January 6, 2003.

On January 6, 2003 with authorized capital stock of ₱90 million, a total of 19.56 million shares of stock were offered to the general public in the company's Initial Public Offering (IPO). On November 6, 2007, the Board of Directors and Stockholders approved the increase in the Company's authorized capital stock to ₱300 million. On March 27, 2008, the Securities and Exchange Commission approved the Company's application for a follow-on offering to the general public of 75,500,000 new common shares and 7,598,892 secondary shares. But the sharp fall in stock prices locally and globally prompted the Board and Management to forego the planned additional public offering.

The latest available price information on Makati Finance's stock price is P9.30 per share as of July 09, 2014.

Philippine Stock Exchange Market prices for the last two years were as follows:

Quarter Ending	Market Prices High	Market Prices Low
March 2014	3.50	3.50
December 2013	3.50	3.30
September 2013	3.50	3.50
June 2013	4.50	4.50
March 2013	3.50	3.50
December 2012	2.50	2.30
September 2012	3.00	3.00
June 2012	3.60	3.60
March 2012	2.60	2.40

DIVIDENDS

As approved by the board of directors and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2009, the Board of Directors also approved the declaration of cash dividends amounting to P819,812. Fractional shares was settled in cash. For the year 2010, the Board of Directors also approved the declaration of cash dividends amounting to P1,612,316. Fractional shares related to this declaration was settled in cash. For the year 2011, the Board of Directors approved the declaration of cash dividends amounting to P1,853,288. Fractional shares related to this declaration was settled in cash. For the year 2012, the Board of Directors also approved the declaration of cash dividends amounting to P2,074,158.30. Fractional share was settled in cash. For the year 2013, the Board of Directors also approved the declaration of cash dividends amounting to P2,445,498. Fractional share was settled in cash. Please refer to page 12 (Authorization or Issuance of Securities other than for Exchange).

There is no restriction that Limit the Payment of Dividend Common Shares.

NAMES OF THE UNDERWRITERS OR IDENTITY OF PERSONS TO WHOM THE SECURITIES WERE SOLD

There were no underwriters or persons to whom the stock dividends were sold.

EXEMPTION FROM REGISTRATION CLAIMED

Pursuant to SRC Rule No. 10 Section D, the declaration of stock dividends is an exempt transaction. The approval of the Commission for the stock dividend declaration was not sought by the Company.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Makati Finance shall set up an evaluation system that will determine and measure compliance with the Manual on Corporate Governance.

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003. The Company submitted to the

SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act. No. 9194 on October 28, 2004. Also, the Company submitted the Audit Charter Manual. Lastly, the Company's By-Laws shall be amended to incorporate provisions on independent directors. Deviations from the Company's Manual on Corporate Governance are not applicable. With regards to plans on improving corporate governance of the Company, Makati Finance is already adopting the International Accounting Standards in the presentation of its financial statements with the help of its external auditors. Communications are open with SGV with regards to further compliance with the IAS.

MAKATI FINANCE
FINANCIAL SERVICES & ADVISORY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Makati Finance Corporation (the Company) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the accounting principles generally accepted in the Philippines as described in Note 2 to the financial statements. This responsibility includes designing and implementing 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.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

APR 03 2014

RENE B. BENITEZ
Chairman

MAKATI CITY

MAX O. BORROMEO
President

JOEL S. FERRER
Treasurer

APR 03 2014
Signed this ____ day of __________ 2014.

DOC. NO. 467
PAGE NO. 91
BOOK NO. 313
SERIES NO 2014

2/F Makati Finance Building, 7823 Makati Avenue, Makati City 1200 Philippines
Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
Website: www.makatifinance.com.ph

REPUBLIC OF THE PHILIPPINES)
... City) S.S.

CERTIFICATION

I, **DANILO ENRIQUE O. CO**, Filipino, of legal age and with office address at 11F Atlanta Centre, 31 Annapolis St., San Juan, M.M., after having been duly sworn to in accordance with law do hereby declare that:

1. I am the duly elected and incumbent Corporate Secretary of Makati Finance Corporation.

2. I hereby certify that, to the best of my knowledge, none of named Directors or Executive Officers of Makati Finance Corporation currently works with the Philippine government, or any of its departments, agencies, branches or other offices.

3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.

DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of JUL 1 0 2014 at ___________ affiant personally appeared before me and exhibited his Tax Information Number (TIN) 134-866-959.

JIHAN G. MERRERA
Notary Public – Quezon City
Adm. Matter No. NP-2[illegible] (20 Mar. 2014 to 31 Dec. 2015)
Attorney's Roll No. 51082
PTR No. 9081524 B; 01/7/14; Quezon City
IBP Lifetime Reg. No. 05754; Quezon City Chapter
MCLE Compliance No. IV-0014585
Tax Identification No. 237-611-952

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REPUBLIC OF THE PHILIPPINES)
) S.S.

UNDERTAKING

MAKATI FINANCE CORPORATION, a corporation duly organized under the laws of the Republic of the Philippines, hereby undertake, through the undersigned Corporate Secretary, that pursuant to SEC Memorandum Circular No. 6, series of 2014, it shall cause the amendment of its Articles of Incorporation to reflect its current principal office address. The matter shall be raised and discussed at the next Regular Meeting of the Board of Directors scheduled to be held on 31 July 2014, Thursday.

MAKATI FINANCE CORPORATION

by:

DANILO ENRIQUE O. CO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of JUL 1 0 2014 at ________ affiant personally appeared before me and exhibited his Tax Information Number (TIN) 134-866-959.

JIHAN G. MERRERA
Notary Public – Quezon City
Adm. Matter No. NP-214 (20 Mar. 2014 to 31 Dec. 2
Attorney's Roll No. 51082
PTR No. 9081524 B; 01/7/14; Quezon City
IBP Lifetime Reg. No. 05754; Quezon City Chap
MCLE Compliance No. IV-0014585
Tax Identification No. 237-611-952

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. FRANCISCO C. EIZMENDI, JR.**, Filipino, of legal age and with residence address at 34 Celery Drive, Valle Verde V, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Makati Finance Corporation
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Dearborn Motors Corporation	Chairman	2000 – present
Sun Life Grepa Financial	Independent Director	
RCBC	Independent Director	2006 – present
Institute for Solidarity in Asia	President	2008 – present
East West Seed Philippines	Advisory Board Member	2009 - present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.
5. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this 4th day of July 2014 at Pasig City, Philippines.

FRANCISCO C. EIZMENDI, JR.
Affiant

Subscribed and sworn to before me this ___ day of 2014 at **MAKATI CITY** affiant personally appeared before me and exhibited his Tax Information Number (TIN) 119-132-505.

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ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-35
UNTIL DECEMBER 31, 2014
ROLL OF ATTORNEY 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 705767 - LIFETIME MEMBER
PTR. NO. 4223506 JAN 2, 2014
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER.

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ATTY. EUGENIO E. REYES**, Filipino, of legal age and with residence address at 131 Barcelona St., Vista Real Classica II, Batasan Hills Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Makati Finance Corporation
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Institute of Corporate Directors	Member, Board of Advisors	1999 to present
Australian Institute of Company Directors	Affiliate	2002 to present
Philippine association of Securities Broker/Dealers, Inc.	Executive Secretary	2003 to present
Global Steel Phils., (SPV-AMC), Inc. (formerly National Steel Corporation)	Director	2005 to present
Securities Investors Protection Fund, Inc.	Director/Trustee	2005 to present
First Union Plans, Inc.	Independent Director	2007 to present
Bernad Securities Inc.	Independent Director	2010 to present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.
5. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this 4th day of July 2014 at PASIG CITY, Philippines.

ATTY. EUGENIO E. REYES
Affiant

Subscribed and sworn to before me this ___ day of July 2014 at ________ affiant personally appeared before me and exhibited his Tax Information Number (TIN) 116-244-865-00.

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Series of 2014

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. [illegible]-35
UNTIL DECEMBER 31, 2014
ROLL OF ATTORNEY 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 422-5506 JAN 2, 2014
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANNEX A

COVER SHEET

2 8 7 8 8

SEC Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

2nd Floor, Makati Finance Centre, 7823 Makati Avenue, Makati City

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

Cynthia M. Gacayan
(Contact Person)

896-0221/897-0749
(Company Telephone Number)

1 2 | 3 1
Month *Day*
(Fiscal Year)

A A F S
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

101
Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Makati Finance Corporation
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Makati Finance Corporation, which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

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 control 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 control. 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 financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Makati Finance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 1, 2013, valid until June 30, 2016
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225198, January 2, 2014, Makati City

April 10, 2014

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MAKATI FINANCE
FINANCIAL SERVICES & ADVISORY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of Makati Finance Corporation (the Company) is responsible for all information and representation contained in the Annual Income Tax Return for the year ended December 31, 2013. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2013 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to the tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

RENE B. BENITEZ
Chairman

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 03 2014
MAKATI CITY

MAX O. BORROMEO
President

JOEL S. FERRER
Treasurer

Signed this APR 03 2014 day of ________ 2014.

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PAGE NO. 97
BOOK NO. 313
SERIES NO. 2014

2/F Makati Finance Building, 7823 Makati Avenue, Makati City 1200 Philippines
Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
Website: www.makatifinance.com.ph

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN**

The Stockholders and Board of Directors
Makati Finance Corporation
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

We have audited the financial statements of Makati Finance Corporation (the Company) for the year ended December 31, 2013, on which we have rendered the attached report dated April 10, 2014.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 1, 2013, valid until June 30, 2016
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225198, January 2, 2014, Makati City

April 10, 2014

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MAKATI FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31		
	2013	2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
ASSETS			
Cash on Hand and in Banks (Note 7)	**₱47,982,524**	₱28,259,851	₱31,701,374
Loans and Other Receivables (Note 8)	**984,176,173**	816,085,697	740,071,001
Available-for-Sale Investments	**80,000**	90,000	150,000
Investment in Associate (Notes 2 and 9)	**150,756,840**	142,036,732	127,712,846
Property and Equipment (Note 10)	**6,006,060**	6,107,926	7,829,527
Investment Properties (Note 11)	**2,604,468**	2,604,468	2,604,468
Retirement Asset (Notes 2 and 17)	**144,784**	111,179	1,370,689
Deferred Tax Assets (Notes 2 and 19)	**13,381,786**	8,415,864	9,840,200
Other Assets (Note 12)	**88,011,347**	129,932,187	37,016,363
	₱1,293,143,982	₱1,133,643,904	₱958,296,468
LIABILITIES AND EQUITY			
Liabilities			
Notes payable (Notes 13 and 20)	**₱891,328,351**	₱763,293,385	₱618,095,937
Accounts payable (Note 20)	**48,096,121**	38,945,222	22,564,527
Accrued expenses (Note 14)	**11,643,615**	10,579,072	18,152,394
Income tax payable	**2,651,231**	3,049,833	9,673,646
	953,719,318	815,867,512	668,486,504
Equity (Note 16)			
Capital stock - ₱1 par value	**199,847,220**	197,402,011	195,327,890
Additional paid-in capital	**5,803,922**	5,803,922	5,803,922
Retained earnings	**132,567,334**	114,353,912	89,890,497
Remeasurement gains on retirement asset (Note 17)	**1,206,131**	376,490	820,289
Share in other comprehensive income (loss) of an associate	**57**	57	(1,932,634)
Net unrealized loss on available-for-sale investments	–	(160,000)	(100,000)
	339,424,664	317,776,392	289,809,964
	₱1,293,143,982	₱1,133,643,904	₱958,296,468

See accompanying Notes to Financial Statements.

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MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	2013	2012 (Restated - Note 2)	2011 (Restated - Note 2)
INTEREST INCOME (Notes 7 and 8)	**₱198,607,360**	₱176,556,651	₱156,570,939
INTEREST EXPENSE (Notes 13 and 20)	**48,540,423**	44,478,344	29,625,753
NET INTEREST INCOME	**150,066,937**	132,078,307	126,945,186
OTHER INCOME			
Gain on sale of available-for-sale investments	**12,229,350**	–	–
Service charges	**338,926**	1,334,248	1,365,657
Miscellaneous (Note 18)	**17,020,480**	11,443,203	4,018,690
TOTAL OTHER INCOME	**29,588,756**	12,777,451	5,384,347
TOTAL OPERATING INCOME	**179,655,693**	144,855,758	132,329,533
OPERATING EXPENSES			
Provision for credit losses (Note 8)	**68,337,508**	3,239,114	11,109,652
Salaries and employee benefits (Notes 17 and 20)	**52,219,304**	40,538,151	33,918,488
Loss from sale and inventory write-down of motorcycle (Note 12)	**16,488,182**	17,879,007	13,254,167
Taxes and licenses	**15,644,222**	13,896,518	12,597,156
Travel and transportation	**10,362,120**	7,788,926	5,270,858
Management and professional fees (Note 20)	**8,066,106**	10,386,468	13,696,011
Occupancy costs (Note 23)	**4,978,073**	4,144,628	3,814,053
Commissions	**4,291,051**	5,111,842	6,295,034
Depreciation and amortization (Note 10)	**3,447,414**	3,605,296	4,081,031
Entertainment, amusement and recreation (Note 19)	**1,972,346**	1,636,742	1,627,795
Amortization of software costs (Note 12)	**709,101**	644,789	595,296
Miscellaneous (Note 18)	**12,022,268**	18,757,103	10,538,138
TOTAL OPERATING EXPENSES	**198,537,695**	127,628,584	116,797,679
INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX	**(18,882,002)**	17,227,174	15,531,854
SHARE IN NET INCOME OF AN ASSOCIATE (Note 9)	**41,120,108**	17,791,195	9,292,531
INCOME BEFORE INCOME TAX	**22,238,106**	35,018,369	24,824,385
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	**(865,823)**	6,406,638	5,307,347
NET INCOME	**23,103,929**	28,611,731	19,517,038
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share in other comprehensive income of an associate	–	1,932,691	(297,801)
Net unrealized loss on available-for-sale investments	**160,000**	(60,000)	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit obligation, net of deferred tax of ₱0.52 million, ₱0.16 million and ₱0.35 million in 2013, 2012 and 2011, respectively	**829,641**	(443,799)	820,289
TOTAL COMPREHENSIVE INCOME	**₱24,093,570**	₱30,040,623	₱20,039,526
Basic/Diluted Earnings Per Share (Note 21)	**₱0.12**	₱0.[illegible]	₱0.10

See accompanying Notes to Financial Statements.

DEVELOPMENT BANK OF THE PHILIPPINES
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MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As Restated)	2011 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱22,238,106**	₱35,018,369	₱24,824,385
Adjustments for:			
Provision for credit losses (Note 8)	**68,337,508**	3,239,114	11,109,652
Share in the net income of an associate (Note 9)	**(41,120,108)**	(17,791,195)	(9,292,53)
Gain on sale of available-for-sale investments (Note 20)	**(12,229,350)**	–	–
Depreciation and amortization (Notes 10 and 11)	**3,447,414**	3,605,296	4,081,031
Amortization of software costs (Note 12)	**709,101**	644,789	595,296
Gain on sale of investment properties and property and equipment	–	213,697	–
Loss on write-off of software cost (Note 18)	–	–	101,606
Operating income before changes in working capital	**41,382,671**	25,045,854	31,419,439
Changes in operating assets and liabilities:			
Increase (decrease) in:			
Loans and other receivables	**(236,157,983)**	(79,253,810)	(205,309,411)
Pension asset	**796,036**	625,513	999,562
Other assets	**41,915,319**	(93,636,410)	(28,593,974)
Increase (decrease) in:			
Accounts payable	**9,150,899**	16,380,695	(38,964,903)
Accrued expenses	**1,064,543**	(7,573,323)	7,159,155
Pension liability	–	–	(575,851)
Net cash used in operations	**(141,848,515)**	(138,527,415)	(235,064,393)
Income taxes paid	**(4,498,701)**	(11,415,915)	(4,812,492)
Net cash used in operating activities	**(146,347,216)**	(149,943,330)	(239,876,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 10)	**(3,811,829)**	(2,692,448)	(3,833,978)
Software costs (Note 12)	**(337,300)**	(133,400)	(483,807)
Available-for-sale investments	**(54,613,643)**	–	–
Cash dividends received (Note 9)	**32,400,000**	5,400,150	3,600,000
Proceeds from sale of:			
Property and equipment	–	804,253	110,827
Available-for-sale investments	**66,842,993**	–	–
Net cash provided by (used in) investing activities	**40,480,221**	3,378,555	(606,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of notes payable	**245,010,858**	330,920,041	458,337,524
Payments of notes payable	**(116,975,892)**	(185,722,593)	(206,384,373)
Cash dividends paid (Note 16)	**(2,445,298)**	(2,074,195)	(1,853,331)
Net cash provided by financing activities	**125,589,668**	143,123,253	250,099,820
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	**19,722,673**	(3,441,523)	9,615,977
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	**28,259,851**	31,701,374	22,085,397
CASH ON HAND AND IN BANKS AT END OF YEAR (Note 7)	**₱47,982,524**	₱28,259,851	₱31,701,374

OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	**₱204,855,032**	₱171,950,172	₱132,570,939
Interest paid	**48,911,167**	[illegible]	32,418,496

See accompanying Notes to Financial Statements.

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MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-In Capital	Retained Earnings (Note 16)	Net Unrealized Loss on Available-For-Sale Investments	Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 17)	Share on Other Comprehensive Income	Total Equity
Balance at January 1, 2013, as previously reported	₱197,402,011	₱5,803,922	₱46,562,718	₱–	₱–	₱–	₱249,768,651
ts of adoption of amended Philippine Accounting Standards (Note 2)	–	–	67,791,194	(160,000)	376,490	57	68,007,741
Balance at January 1, 2013, as restated	197,402,011	5,803,922	114,353,912	(160,000)	376,490	57	317,776,392
Stock dividends (Note 16)	2,445,209	–	(2,445,209)	–	–	–	–
Cash dividends (Note 16)	–	–	(2,445,298)	–	–	–	(2,445,298)
Total comprehensive income for the year	–	–	23,103,929	160,000	829,641		24,093,570
Balance at December 31, 2013	**₱199,847,220**	**₱5,803,922**	**₱132,567,334**	**₱–**	**₱1,206,131**	**₱57**	**₱339,424,664**
Balance at January 1, 2012, as previously reported	₱195,327,890	₱5,803,922	₱34,409,345	(₱100,000)	₱–	₱–	₱235,441,157
ts of adoption of amended Philippine Accounting Standards (Note 2)	–	–	55,481,152	–	820,289	(1,932,634)	54,368,807
Balance at January 1, 2012, as restated	195,327,890	5,803,922	89,890,497	(100,000)	820,289	(1,932,634)	289,809,964
Stock dividends (Note 16)	2,074,121	–	(2,074,121)	–	–	–	–
Cash dividends (Note 16)	–	–	(2,074,195)	–	–	–	(2,074,195)
Total comprehensive income (loss) for the year	–	–	28,611,731	(60,000)	(443,799)	1,932,691	30,040,623
Balance at December 31, 2012	₱197,402,011	₱5,803,922	₱114,353,912	(₱160,000)	₱376,490	₱57	₱317,776,392
Balance at January 1, 2011, as previously reported	₱193,474,645	₱5,803,922	₱24,288,199	₱–	₱–	₱–	₱223,466,766
Effects of adoption of amended Philippine Accounting Standards (Note 2)	–	–	49,791,836	(100,000)–	–	(1,634,833)	48,057,003
Balance at January 1, 2011, as restated	193,474,645	5,803,922	74,080,035	(100,000)		(1,634,833)	271,623,769
Stock dividends (Note 16)	1,853,245	–	(1,853,245)	–	–	–	–
Cash dividends (Note 16)	–	–	(1,853,331)	–	–	–	(1,853,331)
Total comprehensive income (loss) for the year	–	–	19,517,038	–	820,289	(297,801)	20,039,526
Balance at December 31, 2011	₱195,327,890	₱5,803,922	₱89,890,497	(₱100,000)	₱820,289	(₱1,932,634)	₱289,809,964

See accompanying Notes to Financial Statements

DEVELOPMENT BANK OF THE PHILIPPINES
APR 15 2014
078-000
MANAGEMENT CENTER

MAKATI FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. General Information

Makati Finance Corporation (the Company) was incorporated in the Philippines on February 17, 1966. The Company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

The Company's principal place of business is at 2nd Floor, Makati Finance Centre, 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange (PSE) on January 6, 2003 and is majority-owned by Amalgamated Investment Bancorporation (AIB).

The accompanying financial statements of the Company were approved by the Audit Committee, as authorized by the Board of Directors (BOD), on April 10, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso, the Company's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

The Company presents an additional statement of financial position at the beginning of the earliest period presented where there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at January 1, 2012 is presented in these financial statements due to retrospective application of certain policies as discussed in 'Changes in Accounting Policies and Disclosures'.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 15.

Assets and liabilities and income and expense are not offset unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following amended standards, which were adopted as of January 1, 2013. Except as otherwise indicated, the adoption of the new and amended standards did not have any significant impact on the accounting policies, financial position or performance of the Company. Additional disclosures, where required, are provided in the individual notes relating to the new and amended standards.

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

PFRS 10, *Consolidated Financial Statements*
The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standard Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, *Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 4.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.

PAS 19, *Employee Benefits (Revised)*
On January 1, 2013, the Company adopted the Revised PAS 19, *Employee Benefits.*

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	December 31		January 1
	2012	2011	
Increase (decrease) in:			
Statements of financial position			
Retirement asset	₱111,179	₱1,370,689	₱–
Retirement liability	1,504,548	(994,970)	(1,198,410)
Deferred tax asset	(484,718)	(709,698)	(359,523)
Retained earnings	754,519	(835,672)	838,887
Other comprehensive income	376,490	820,289	–

	2012	2011
Statements of comprehensive income		
Salaries, wages and employee benefits	₱115,934	₱4,592
Provision for income tax	(34,780)	(1,377)
Net income	(81,154)	(3,215)
Remeasurement gains (loss) on retirement asset	(443,799)	820,289
Earnings per share	(0.0004)	–

PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the issuance of the new PFRS 11, *Joint Arrangement*, and PFRS 12 , *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Assoociates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

The Company revisited the accounting for its investment in Amalgamated Investment Bancorporation (AIB) (see Note 9) which was previously accounted for at cost. Based on Company's evaluation, it has determined that it exercises significant influence over AIB as it has representation in its board of directors. Accordingly, the investment in AIB shall be accounted for under equity method.

The impact on the financial statements is provided below:

	December 31		January 1
	2012	2011	2011
Increase (decrease) in			
Statements of financial position			
Available for sale investments	(₱75,000,000)	(₱75,000,000)	(₱75,000,000)
Investment in an associate	142,036,732	127,712,846	122,318,115
Retained earnings	67,036,675	54,645,480	48,952,949
Share in net unrealized gain (loss) of an associate	57	(1,932,634)	(1,634,833)
Statements of comprehensive income			
Dividend income	(5,400,000)	(3,600,000)	–
Share in net income of an associate	17,791,195	9,292,531	7,746,538
Net income	12,391,195	5,692,531	7,746,538

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. The adoption of these annual improvements to PFRS and PAS has no significant impact on the financial statements.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

Significant Accounting Policies

Cash on Hand and In Banks
Cash includes cash on hand and in banks.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Refer to Note 4.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Company recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial instruments measured at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial instruments in the following categories: Financial assets at FVPL, AFS investments, held-to-maturity (HTM) investments, loans and receivables, financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2013 and 2012, the Company has no outstanding financial assets and liabilities at FVPL and HTM investments.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on valuation methodologies whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference), if any, in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases when the fair value is determined using data which are not observable, the difference between the transaction price and the model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to statement of financial position captions, 'Cash on hand and in banks' and 'Loans and other receivables'.

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

Loans and receivables are classified as nonperforming or considered impaired when the principal is past due, or when, in the opinion of management, collection of interest and principal is doubtful. These receivables will not be reclassified as performing until interest and principal payments are brought current or the receivables are restructured and future payments appear assured.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

Unearned interest income is shown as a deduction from 'Loans and rcceivables'.

AFS investments
AFS investments are those nonderivative financial assets that are designated as such or are not classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments pertain to golf club shares.

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains or losses arising from the fair valuation of AFS investments are excluded from reported income and are reported as 'Net unrealized loss on AFS investments' in Other Comprehensive Income.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in the statement of comprehensive income. Dividends earned are recognized in the statement of comprehensive income when the Company's right to receive payment is established. Impairment losses arising from impairment of such investments are recognized in the statement of comprehensive income.

Other financial liabilities
Other financial liabilities are financial liabilities not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This accounting policy applies primarily to the Company's notes payable, accounts payable and accrued expenses.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

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

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

Loans and receivables
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be accrued based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance for impairment losses. If a future write-off is later recovered, any amounts formerly charged are credited to the "Provision for credit losses" account in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

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

Investment in an Associate
An associate pertain to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in an associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognized changes in the Company's share in the net assets of the associate since acquisition date.

The statement of comprehensive income reports the Company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'share in net income of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the item of property and equipment to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	3-5 years
Leasehold rights and improvements	10 years or over the period of the lease, whichever is shorter
Transportation equipment	3-5 years

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of comprehensive income (see accounting policy on Impairment of Nonfinancial Assets).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Foreclosed properties are classified under investment properties on foreclosure date.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Investment properties are derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in the statement of comprehensive income in the year of derecognition.

Motorcycle Inventories
The Company forecloses the chattel mortgages attached to the loans pertaining to the Motorcycle (MC) Financing upon default at cost. The Company subsequently recognizes motorcycle inventories at their net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs to be incurred to make the sale have increased. The excess of the cost over the net realizable value is recognized as a loss from writedown of motorcycle inventories in the statement of comprehensive income.

Software Costs
Software costs, included under "Other assets" account in the statement of financial position, include costs incurred relative to the development of the Company's software. Software costs are amortized over three to five years on a straight-line basis from the date they are available for use.

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its property and equipment, investment properties, investment in subsidiaries and software cost may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to a additional paid-in capital account.

Retained earnings include all accumulated profits or losses of the Company less any dividends declared.

Dividends on Common Shares
Cash on common shares are recognized as a liability and deducted from equity when approved by the BOD and shareholders of the Company. Stock dividends are deducted from retained earnings when approved by the BOD and shareholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company has concluded that it is acting as principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:
Interest income
Unearned interest income is recognized as income over the terms of the receivable using the effective interest method. Interest income on nondiscounted receivables is accrued as earned likewise using EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Service charges
Service charges are recognized only upon collection or accrued when there is reasonable certainty as to its collectability.

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

Miscellaneous income
Miscellaneous income represents other gains or revenues recognized as earned or collected and upon rendition of the service.

Expenses
Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Company. Expenses are recognized when incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Company as lessee

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

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with borrowing of funds.

Retirement Cost

The Company has a funded, noncontributory defined benefit retirement plan, administered by trustees, covering their permanent employees.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), if any, and unused net operating loss carryover (NOLCO), if any, to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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 reporting date.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Liabilities and Contingent Assets

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year of the Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have dilutive potential common shares.

Events after Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

New Standards and Interpretations

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. Except as otherwise indicated, the Company does not expect that the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on the financial statements. The Company will assess the impact of these amendments on its financial position or performance when they become effective.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

Investment Entities *(Amendments to PFRS 10, PFRS 12 and PAS 27)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Company would qualify to be an investment entity under PFRS 10.

Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be

presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
- PAS 24, *Related Party Disclosures - Key Management Personnel*

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*

3. Significant Accounting Judgments and Estimates

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

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

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgments

(a) Classification of financial instruments
The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

(b) Operating leases
Company as a lessee
The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 22).

Estimates

(a) *Impairment of AFS equity investment*
The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20.0% or more and 'prolonged' greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The carrying values of the quoted AFS investment of the Company, which refers to one Orchard Club share and the related allowance for impairment losses are disclosed in Note 9.

(b) *Impairment of property and equipment, investment properties, investment in subsidiaries and software cost*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment, investment properties, investment in subsidiaries, and software and related allowance for impairment losses on investment properties and investment in subsidiaries are disclosed in Notes 12, 10, 11 and 13.

(c) *Writedown of motorcycle inventories*
The Company recognizes loss on writedown of motorcycle inventories at a level considered adequate to reflect the excess of cost of motorcycle inventories over their NRV. NRV of inventories are assessed based on the estimated prevailing selling prices less the estimated cost necessary to sell.

The carrying value of motorcycle inventories and the related loss from writedown are disclosed in Note 12.

(d) *Recognition of deferred tax assets*
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 21.

(e) *Estimating useful lives of property and equipment, investment properties and software cost*
The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 2.

(f) *Valuation of retirement asset*
The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement asset are provided in Note 17.

In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rate. Further details about the assumptions used are provided in Note 17.

4. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of financial instruments follow:

Cash on hand and in banks
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and other receivables
Carrying amounts approximate fair values as there is no significant change in the market interest rates from grant dates to reporting dates. The discount rates used ranges from 1.70% to 2.04% in 2013 and 2012.

AFS investments
AFS quoted equity shares - Fair values are based on quoted prices published in markets.

Notes payable
The carrying amounts of notes payable approximate fair values as these are repriced quarterly.

Accounts payable and accrued interest payable
The carrying amounts of accounts payable and accrued interest payable approximate fair values due to their short-term maturities.

Quoted equity securities classified as AFS investments are measured based on Level 1. In 2013 and 2012, there were no transfers of financial instruments between Level 1 and Level 2.

No instruments were measured based on Levels 2 and 3 and there were no transfers in and out of level 3 for 2013 and 2012.

5. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit Risk
Credit risk management and collateral and other credit enhancements
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example for this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

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

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	2013			2012		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and other receivables						
Receivable from customers:						
Consumer	₱900,377,609	₱855,678,405	₱44,699,204	₱711,150,138	₱659,393,796	₱51,756,342
Services	78,145,735	–	78,145,735	84,939,107	–	84,939,107
Construction	4,929,112	–	4,929,112	15,153,399	–	15,153,399
Manufacturing	723,717	–	723,717	4,843,053	–	4,843,054
	₱984,176,173	₱855,678,405	₱128,497,768	₱816,085,697	₱659,393,796	₱156,691,902

Except for receivable from customers, the carrying values of the Company's other financial assets as reflected in the statements of financial position as of December 31, 2013 and 2012 represent the financial asset's maximum exposure to credit risk, since these are unsecured.

The tables below show a comparison of the credit quality of the Company's financial assets (gross of unearned interest income, client's equity and allowance for impairment losses).

	2013					
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Available-for-sale investments	₱–	₱–	₱–	₱–	₱250,000	₱250,000
Loans and other receivables						
Cash in banks	46,904,524	–	–	–	–	46,904,524
Receivable from customers:						
Consumer	781,268,139	–	24,275,459	1,138,160	511,886,505	1,318,568,263
Services	–	–	94,413,066	20,914,827	5,492,560	120,820,453
Construction	–	–	7,041,589	–	–	7,041,589
Manufacturing	–	–	1,033,881	–	–	1,033,881
Other receivables	–	–	21,322,555	–	949,000	22,271,555
	₱828,172,663	₱–	₱148,086,550	₱22,052,987	₱518,578,065	₱1,516,890,265

	2012					
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Available-for-sale investments	₱–	₱–	₱–	₱–	₱250,000	₱250,000
Loans and other receivables						
Cash in banks	28,259,851	–	–	–	–	28,259,851
Receivable from customers:						
Consumer	642,500,517	–	31,400,946	309,762,957	67,295,801	1,050,960,221
Services	–	–	115,061,616	6,471,109	4,333,851	125,866,576
Construction	–	–	14,184,446	7,463,267	–	21,647,713
Manufacturing	–	–	6,918,649	–	–	6,918,649
Other receivables	–	–	23,646,822	–	–	23,646,822
	₱670,760,368	₱–	₱191,212,479	₱323,697,333	₱71,879,652	₱1,257,549,832

The Company's basis in grading its financial assets is as follows:

Cash in banks
High grade pertains to cash deposited in local banks belonging to top 10 rank.

Loans and other receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.

The analysis of receivables from customers that were past due but not impaired follows:

	2013					
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	₱–	₱–	₱1,138,160	₱–	₱–	₱1,138,160
Services	18,641,875	1,316,875	956,077	–	–	20,914,827
	₱18,641,875	₱–	₱2,094,237	₱–	₱–	₱22,052,987

	2012					
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	₱137,427,176	₱66,316,018	₱43,939,539	₱24,019,136	₱38,061,088	₱309,762,957
Services	5,003,261	–	486,129	524,219	457,500	6,471,109
Construction	–	–	–	–	7,463,267	7,463,267
	₱142,430,437	₱66,316,018	₱44,425,668	₱24,543,355	₱45,981,855	₱323,697,333

Impairment assessment

The Company recognizes impairment/credit losses based on the results of specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the payment of obligation by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days).

These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment for asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Company maintains a level of cash on hand and in banks deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

	2013					
	Up to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 years	More than 3 years	Total
Financial assets						
Loans and other receivables						
Cash on hand and in banks	₱47,982,524	₱–	₱–	₱–	₱–	₱47,982,524
Receivable from customers:						
Consumer	233,676,876	144,097,106	267,638,944	672,981,423	173,913	1,318,568,262
Services	49,143,860	17,792,007	14,212,109	39,672,476	–	120,820,453
Construction	586,799	586,799	1,173,598	4,694,393	–	7,041,589
Manufacturing	895,929	137,952	–	–	–	1,033,881
Other receivables	15,089,100	652,951	1,305,901	5,223,604	–	22,271,555
	₱347,375,088	₱163,266,815	₱284,330,552	₱722,571,896	₱173,913	₱1,517,718,264
Financial liabilities						
Notes payable	₱61,768,335	₱174,109,068	₱548,688,827	₱106,762,121	₱–	₱891,328,351
Accounts payable	48,096,121	–	–	–	–	48,096,121
Accrued interest	395,096	–	–	–	–	395,096
	₱110,259,552	₱174,109,068	₱548,688,827	₱106,762,121	₱–	₱939,819,568

	2012					
	Up to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 years	More than 3 years	Total
Financial assets						
Loans and other receivables						
Cash in banks	₱28,259,851	₱–	₱–	₱–	₱–	₱28,259,851
Receivable from customers:						
Consumer	204,431,066	112,937,383	214,955,522	496,323,921	–	1,028,647,892
Services	71,768,850	6,229,815	12,455,559	35,412,352	–	125,866,576
Construction	8,645,304	1,182,037	2,364,076	9,456,297	–	21,647,713
Manufacturing	6,918,649	–	–	–	–	6,918,649
Other receivables	19,768,405	352,583	705,167	2,820,667	–	23,646,822
	₱339,792,125	₱120,701,818	₱230,480,320	₱544,013,237	₱–	₱1,234,987,503
Financial liabilities						
Notes payable	₱196,007,350	₱60,031,914	₱368,610,182	₱138,643,939	₱–	₱763,293,386
Accounts payable	38,945,222	–	–	–	–	38,945,222
Accrued interest	765,840	–	–	–	–	765,840
	₱235,718,412	₱60,031,914	₱368,610,182	₱138,643,939	₱–	₱803,004,448

Interest rate risk

The profitability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loan operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from 6 months to 1 year.

Foreign exchange risk

The Company has no foreign currency denominated financial assets and liabilities as of December 31, 2013 and 2012. Accordingly, the Company does not have exposure to foreign exchange risk.

6. Segment Information

The Company has three (3) main products: Rx Cashline - loans tailored to medical professionals, MFC Factors - receivable factoring services and MC Financing, loans to motorcycle buyers.

The Company considers its Management Committee as chief operating decision maker. Management conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

Below is the performance of each of the product line based on allocable revenues and expenses.

	2013				
	Rx Cash Line	**MC Factors**	**MC Financing**	**Others**	**Total**
Loans	70,928,089	57,967,833	1,293,154,644	23,446,887	1,445,497,453
Results of operation					
Revenues					
Interest income	₱19,702,999	₱6,090,386	₱169,520,667	₱3,293,308	₱198,607,360
Other income	575,059	1,199,522	7,970,637	60,963,646	70,708,864
	20,278,058	7,289,908	177,491,304	64,256,954	269,316,224
Expenses					
Interest expense	5,187,930	3,988,982	30,526,942	8,836,569	48,540,423
Provision for credit losses	2,776,062	581,749	64,979,697	–	68,337,508
Operating expenses	2,600,453	703,333	95,520,654	31,375,747	130,200,187
	10,564,445	5,274,064	191,027,293	40,212,316	247,078,118
Net operating income	9,713,613	2,015,844	(13,535,989)	24,044,638	22,238,106
Less provision for income tax	3,746,903	779,278	(269,362)	(5,122,641)	(865,823)
Net income (loss)	₱5,966,711	₱1,236,566	(₱13,266,627)	₱29,167,279	₱23,103,929
Statement of financial position					
Total assets	₱43,921,842	₱53,669,253	₱967,805,138	₱227,747,749	₱1,293,143,983
Total liabilities	₱11,000	₱8,000	₱51,622,191	₱902,078,127	₱953,719,318
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱–	₱–
Depreciation and amortization	₱10,926	₱756	₱1,050,698	₱2,385,035	₱3,447,415

	2012				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	₱63,535,968	₱90,896,970	₱997,246,945	₱30,408,919	₱1,182,088,802
Results of operation					
Revenues					
Interest income	₱15,976,810	₱6,944,370	₱151,332,062	₱2,303,409	₱176,556,651
Other income	2,072,860	6,216,754	(28,204,459)	50,483,490	30,568,646
	18,049,670	13,161,124	123,127,603	52,786,899	207,125,297
Expenses					
Interest expense	3,306,734	1,718,824	29,398,858	10,053,928	44,478,344
Provision for credit losses	485,707		2,753,407		3,239,114
Operating expenses	5,732,907	2,488,796	95,927,036	20,240,731	124,389,470
	9,525,348	4,207,620	128,079,301	30,294,658	172,106,928
Net operating income	8,524,322	8,953,504	(4,951,698)	22,492,241	35,018,369
Less provision for income tax	2,187,663	1,260,007	7,608,719	(4,649,752)	6,406,638
Net income (loss)	₱6,336,659	₱7,693,497	(₱12,560,417)	27,141,993	₱28,611,731
Statement of financial position					
Total assets	₱ 49,032,972	₱65,594,010	₱861,432,724	₱ 157,584,198	₱1,133,643,904
Total liabilities	₱ 203,664	₱ 76,486	₱ 46,696,598	₱ 768,890,764	₱815,867,512
Other segment information					
Capital expenditures	₱–	₱–	₱1,450,103	₱1,242,345	₱2,692,448
Depreciation and amortization	₱71,632	₱5,221	₱1,558,320	₱1,970,123	₱3,605,297

	2011				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Results of operation					
Revenues					
Interest income	₱16,940,889	₱8,328,421	₱127,971,117	₱3,330,512	₱156,570,939
Other income	698,809	1,164,548	3,357,046	9,456,475	14,676,878
	17,639,698	9,492,969	131,328,163	12,787,987	171,247,817
Expenses					
Interest expense	3,206,721	1,576,477	24,223,504	619,051	29,625,753
Provision for credit losses	137,715	369,619	10,602,318	–	11,109,652
Operating expenses	11,515,006	6,196,908	85,729,616	2,247,497	105,689,027
	14,859,442	8,143,004	120,555,438	2,866,548	146,423,432
Net operating income	2,780,256	1,349,965	10,772,725	9,921,439	24,824,385
Less of provision of income tax	–	–	–	5,307,350	5,307,347
Net income (loss)	₱2,780,256	₱1,349,965	₱10,772,725	₱4,614,092	₱19,517,038
Statement of financial position					
Total assets	₱43,690,957	₱57,666,305	₱609,643,596	₱193,921,773	₱904,922,631
Total liabilities	₱72,465,346	₱35,625,162	₱547,401,688	₱13,989,278	₱669,481,474
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱5,865,982	₱5,865,982
Depreciation and amortization	₱509,521	₱274,204	₱3,793,402	₱99,201	₱4,676,327

The Company has no significant customers which contribute 10% or more of the revenues.

7. Cash on Hand and in Banks

This account consists of:

	2013	2012
Cash in banks	**₱46,904,524**	₱19,103,269
Cash on hand	**1,078,000**	9,156,582
	₱47,982,524	₱28,259,851

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.06% to 0.358% in 2013, from 0.05% to 0.375% in 2012 and from 0.50% to 1.25% in 2011. Interest income on cash in banks amounted to ₱0.04 million, ₱0.06 million and ₱0.06 million in 2013, 2012 and 2011, respectively.

8. Loans and Other Receivables

This account consists of:

	2013	2012
Receivable from customers:		
Consumer	**₱1,318,568,262**	₱1,028,647,891
Services	**120,820,453**	125,866,576
Construction	**7,041,589**	21,647,713
Manufacturing	**1,033,881**	6,918,649
Other receivables (Note 20)	**22,271,555**	23,646,822
	1,469,735,740	1,206,727,651
Unearned interest income	**(433,996,128)**	(348,210,969)
Client's equity	**(17,390,350)**	(27,269,091)
Allowance for credit losses	**(34,173,089)**	(15,161,894)
	₱984,176,173	₱816,085,697

The classes of receivable from customers are subdivided according to loans granted to different industries.

Loans and receivables according to product type:

	2013	2012
Motorcycle financing	**₱1,293,154,644**	₱997,246,945
Receivables purchased	**57,967,833**	90,896,970
Rx cash line	**70,928,089**	63,535,968
Other receivables (Note 20)	**23,446,887**	30,408,919
	1,445,497,453	1,182,088,802
Unearned interest income	**(433,996,128)**	(348,210,969)
Client's equity	**(17,390,350)**	(27,269,091)
	994,110,975	806,608,742
Accrued interest receivable	**9,017,809**	15,265,481
Sales contract receivable	**1,966,731**	992,027
Advances to officers and employees	**195,224**	98,260
Due from affiliates (Note 20)	**101,007**	213,007
Miscellaneous receivables	**12,957,516**	8,070,074
	1,018,349,262	831,247,591
Allowance for credit losses	**(34,173,089)**	(15,161,894)
	₱984,176,173	₱816,085,697

Miscellaneous receivables consist of lease contract receivables and receivables from other non-related parties.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored.

Interest rates on loans receivable ranges from 1.40% to 2.60% plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱198.57 million, ₱176.49 million and ₱156.51 million in 2013, 2012 and 2011, respectively.

Movements in allowance for credit losses follow:

	December 31, 2013				
	Receivable from Customers				
	Construction	**Services**	**Consumer**	**Others**	**Total**
At January 1	**₱–**	**₱3,100,801**	**₱12,061,093**	**₱–**	**₱15,161,894**
Provisions (reversals) during the year	**581,749**	**3,031,882**	**62,129,606**	**2,594,271**	**68,337,508**
Write-off	**–**	**(3,356,621)**	**(42,106,789)**	**(1,645,271)**	**(49,326,313)**
At December 31	**₱581,749**	**₱2,776,062**	**₱29,866,278**	**₱949,000**	**₱34,173,089**
Individually impaired	**₱581,749**	**₱2,776,062**	**₱29,866,278**	**₱949,000**	**₱34,173,089**
Collectively impaired	**–**	**–**	**–**	**–**	**–**
Total	**₱581,749**	**₱2,776,062**	**₱29,866,278**	**₱949,000**	**₱34,173,089**

	December 31, 2012				
	Receivable from Customers				
	Construction	Services	Consumer	Others	Total
At January 1	₱1,632,676	₱2,915,060	₱12,619,438	₱–	₱17,167,174
Provisions during the year	(1,263,057)	3,243,590	1,258,581	–	3,239,114
Write-off	(369,619)	(3,057,849)	(1,816,926)	–	(5,244,394)
At December 31	₱–	₱3,100,801	₱12,061,093	₱–	₱15,161,894
Individually impaired	₱–	₱3,100,801	₱5,485,994	–	₱8,586,795
Collectively impaired	–	–	6,575,099	–	6,575,099
Total	₱–	₱3,100,801	₱12,061,093	₱–	₱15,161,894

In determining the allowance for credit losses on loans and receivable, the Company also considered the provisioning requirements of RA No. 8556, *The Financing Company Act.*

9. Investment in an Associate

This account consists of investment in 36% share of stock of AIB:

	2013	2012 (As restated)
At cost	**₱75,000,000**	₱75,000,000
Accumulated equity in net earnings		
Balance at the beginning of the year	**67,036,732**	52,712,846
Share in net income	**41,120,108**	17,791,195
Dividends	**(32,400,000)**	(5,400,000)
Share in OCI	**–**	1,932,691
Balance at the end of the year	**75,756,840**	67,036,732
	₱150,756,840	₱142,036,732

The following illustrates the summarized financial information of the Company's investment in AIB:

	2013	2012
Total assets	**₱2,152,846,063**	₱1,577,484,847
Total liabilities	**1,501,907,295**	969,041,575
	650,938,768	608,443,272
Net unrealized gain on the Company's shares held and classified by AIB as AFS Investments	**(233,630,660)**	(215,641,641)
	417,308,108	392,801,631
Proportion of the Company's ownership	36%	36%
Carrying amount of the investment	**150,230,919**	141,408,587
Income	**263,712,052**	156,975,096
Expenses	**127,455,041**	93,876,729
Income before income tax	**136,257,011**	63,098,367
Provision for income tax	**22,034,489**	13,678,380
Net income	**114,222,522**	49,419,987
Share in net income	**₱41,120,108**	₱17,791,195

10. Property and Equipment

The rollforward analysis of this account follows:

	2013			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱6,414,913	₱873,326	₱15,359,925	₱22,648,164
Additions	1,410,448	398,771	2,002,610	3,811,829
Disposals	–	–	(9,508,658)	(9,508,658)
At December 31	7,825,361	1,272,097	7,853,877	16,951,335
Accumulated Depreciation and Amortization				
At January 1	4,365,907	381,576	11,792,755	16,540,238
Depreciation and amortization	1,383,876	134,842	1,928,696	3,447,414
Disposals	–	–	(9,042,377)	(9,042,377)
At December 31	5,749,783	516,418	4,679,074	10,945,275
Net Book Value	₱2,075,578	₱755,679	₱3,174,803	₱6,006,060

	2012			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱4,807,255	₱873,326	₱16,101,917	₱21,782,498
Additions	1,644,312	–	1,048,136	2,692,448
Disposals	(36,655)	–	(1,790,128)	(1,826,783)
At December 31	6,414,912	873,326	15,359,925	22,648,163
Accumulated Depreciation and Amortization				
At January 1	3,061,053	291,793	10,600,125	13,952,971
Depreciation and amortization	1,324,006	89,782	2,191,508	3,605,296
Disposals	(19,152)	–	(998,878)	(1,018,030)
At December 31	4,365,907	381,575	11,792,755	16,540,237
Net Book Value	₱2,049,005	₱491,751	₱3,567,170	₱6,107,926

Motorcycle inventory is transferred to transportation equipment when they are used in the business operations by the employees. The transportation equipment is valued at the inventory's carrying amount. In 2013 and 2012, the Company transferred motorcycle inventories amounting to ₱2.0 million and ₱0.52 million, respectively (shown as additions).

As of December 31, 2013 and 2012, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱2.81 million and ₱2.22 million.

11. Investment Properties

This account consists of cost of land and the related impairment:

	2013	2012
Cost	**₱3,544,001**	₱3,624,001
Allowance for impairment losses		
Balance at beginning of the year	**(1,019,533)**	(1,019,533)
Reversal of impairment	**80,000**	–
Balance at end of the year	**(939,533)**	(1,019,533)
	₱2,604,468	₱2,604,468

The aggregate fair value of the investment properties of the Company amounted to ₱3.54 million and ₱3.62 million as of December 31, 2013 and 2012. No sale of investment property occurred in 2013 and 2012. The fair value of the Company's investment properties was estimated on the basis of recent sales of similar properties in the same areas taking into account the economic conditions prevailing at the time the valuations were made. The unit of comparison applied by the Company is the price per square meter. The fair value of the investment properties is based on Level 3 hierarchy.

12. Other Assets

This account consists of:

	2013	2012
Motorcycle inventories	**₱86,203,759**	₱127,475,596
Prepaid expenses	**1,137,384**	992,129
Software costs	**670,204**	1,042,005
Miscellaneous	**–**	422,457
	₱88,011,347	₱129,932,187

Motorcycle inventories pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. Loss from writedown of motorcycle inventories included in the statements of comprehensive income amounted to ₱15.22 million, ₱6.47 million and ₱9.08 million in 2013, 2012 and 2011, respectively.

The movements in software costs follow:

	2013	2012
Cost		
At January 1	**₱3,625,846**	₱3,492,446
Additions	**337,300**	133,400
At December 31	**3,963,146**	3,625,846
Accumulated Amortization		
At January 1	**2,583,841**	1,939,052
Amortization for the year	**709,101**	644,789
Accumulated amortization	**3,292,942**	2,583,841
At December 31	**₱670,204**	₱1,042,005

13. Notes Payable

This account consists of:

	2013	2012
Related parties (Note 20)	**₱756,249,786**	₱610,902,427
Individuals	**3,316,444**	13,747,019
Banks	**131,762,121**	138,643,939
	₱891,328,351	₱763,293,385

Interest rates from borrowings range 5.00% to 6.00% per annum in 2013 and from 5.44% to 7.75% per annum in 2012 and 2011.

Interest expense on these notes payable amounted to ₱48.54 million, ₱44.48 million and ₱29.63 million in 2013, 2012 and 2011, respectively.

14. Accrued Expenses

This account consists of:

	2013	2012
Accrued taxes	**₱5,243,208**	₱2,400,412
Accrued administrative expenses	**3,878,306**	4,341,239
Accrued management and professional fees	**1,023,650**	2,332,104
Accrued insurance payable	**470,712**	130,706
Accrued interest (Note 20)	**395,096**	765,840
Accrued occupancy costs	**65,788**	251,290
Others	**566,855**	357,481
	₱11,643,615	₱10,579,072

Others include accrual on SSS, PAG-IBIG and PHILHEALTH payable.

15. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date.

	2013			2012 (As Restated)		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total
Financial Assets						
Cash on hand and in banks	**₱47,982,524**	**₱–**	**₱47,982,524**	₱28,259,851	₱–	₱28,259,851
Loans and other receivables - gross	**746,989,931**	**722,745,809**	**1,469,735,740**	662,714,414	544,013,237	1,206,727,651
Investment in an associate	**–**	**150,756,840**	**150,756,840**	–	142,036,732	142,036,732
AFS investments – gross	**–**	**250,000**	**250,000**	–	250,000	250,000
	794,972,455	**873,752,649**	**1,668,725,104**	690,974,265	686,299,970	1,377,274,234

(Forward)

	2013			2012 (As Restated)		
	Less than twelve months	Over twelve months	Total	Less than twelve months	Over twelve months	Total
Nonfinancial Assets						
Property and equipment	₱–	₱6,006,060	₱6,006,060	₱–	₱6,107,926	₱6,107,926
Investment properties – gross	–	3,544,001	3,544,001	–	3,624,001	3,624,001
Deferred tax assets	–	13,381,786	13,381,786	–	8,415,864	8,415,864
Retirement asset	–	144,784	144,784	–	111,179	111,179
Other assets	87,241,143	770,204	88,011,347	128,790,182	1,142,005	129,932,187
	87,241,143	23,846,835	111,087,978	128,790,182	19,400,975	148,191,157
Less: Allowance for credit and impairment losses	–	(35,282,622)	(35,282,623)	–	(16,341,427)	(16,341,427)
Unearned interest income	(208,965,205)	(225,030,923)	(433,996,128)	(179,391,836)	(168,819,133)	(348,210,969)
Client's equity	(17,390,350)	–	(17,390,350)	(27,269,091)	–	(27,269,091)
	(226,355,555)	(260,313,545)	(486,669,101)	(206,660,927)	(185,160,560)	(391,821,487)
	₱655,958,043	₱637,185,939	₱1,293,143,982	₱613,103,520	₱520,540,385	₱1,133,643,904
Financial Liabilities						
Notes payable	784,566,230	106,762,121	891,328,351	624,649,446	138,643,939–	763,293,385
Accounts payable	48,096,121	–	48,096,121	38,945,222	–	38,945,222
Accrued interest	395,096	–	395,096	765,840	–	765,840
	833,057,447	106,762,121	939,819,568	664,360,508	138,643,939	803,004,447
Nonfinancial Liabilities						
Accrued expenses	11,248,519	–	11,248,519	9,813,231	–	9,813,231
Income tax payable	2,651,231	–	2,651,231	3,049,834	–	3,049,834
	13,899,750	–	13,899,750	12,863,065		12,863,065
	₱846,957,197	₱106,762,121	₱953,719,318	₱677,223,573	₱138,643,939	₱815,867,512

16. Equity

On July 25, 2013, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of ₱2,445,209 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,445,298. Fractional shares related to this declaration were settled in cash amounting to ₱89.00.

On June 28, 2012, the BOD and stockholders approved the declaration of 1.06% stock dividends in the amount of ₱2,074,121 to stockholders of record as of July 26, 2012 with distribution date not later than August 20, 2012. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,074,158. Fractional shares related to this declaration were settled in cash amounting to ₱37.00.

On June 23, 2011, the BOD and stockholders approved the declaration of 0.96% stock dividends in the amount of ₱1,853,245 to stockholders of record as of July 21, 2011 with distribution date not later than August 15, 2011. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,853,331. Fractional shares related to this declaration were settled in cash amounting to ₱43.00.

On March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the Securities and Exchange Commission and the PSE, on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As of December 31, 2013, the Company has 199,847,220 common shares issued and outstanding which were owned by 101 shareholders.

The movements in the number of issued shares and capital stock follows:

	2013		2012		2011	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares						
At January 1	**197,402,011**	**₱197,402,011**	195,327,890	₱195,327,890	193,474,645	₱193,474,645
Stock dividends	**2,445,209**	**2,445,209**	2,074,121	2,074,121	1,853,245	1,853,245
At December 31	**199,847,220**	**₱199,847,220**	197,402,011	₱197,402,011	195,327,890	₱195,327,890

Capital Management

The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes for the years ended December 31, 2013 and 2012.

Under Republic Act (RA) No. 8556, Financing Company Act, the Company is required to maintain the following capital requirements:

(a) minimum paid-up capital of ₱10.00 million; and
(b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the years ended December 31, 2013 and 2012, the Company was in compliance with the minimum paid-up capital.

The Company's retained earnings representing the accumulated share in the net income of an associate amounting to ₱75.76 million and ₱67.04 million as of December 31, 2013 and 2012, respectively, is not available for declaration as dividends.

17. Retirement Plan

The Company has a funded, tax-qualified defined benefit plan covering all its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The existing regulatory framework, Republic Act 7641, Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in net retirement asset follow:

	2013										
		Net Benefit Cost in the Statements of Comprehensive Income			Remeasurement in other comprehensive income						
	1 January 2013	Current service cost	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of asset ceiling	Subtotal	Contribution by employer	31 December 2013
Present value of defined benefit obligation	₱4,409,797	₱2,085,884	₱269,439	₱2,355,323	₱–	₱–	(₱191,633)	(₱1,172,383)	(₱1,364,016)	₱–	₱5,401,104
Fair value of plan assets	4,527,769	–	304,142	304,142	(176,786)	–	–	–	(176,786)	900,000	5,555,125
	(117,972)	2,085,884	(34,703)	2,051,181	176,786	–	(191,633)	(1,172,383)	(1,187,230)	(900,000)	(154,021)
Restrictions on asset recognized	6,793	–	415	415	–	–	–	2,029	2,029	–	9,237
Net defined benefit asset	(₱111,179)	₱2,085,884	(₱34,288))	₱ 2,051,596	₱176,786	₱–	(₱191,633)	(₱1,170,354)	(₱1,185,201)	(₱900,000)	(₱144,784)

	2012										
		Net Benefit Cost in the Statements of Comprehensive Income			Remeasurement in other comprehensive income						
	1 January 2012 (As restated)	Current service cost	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of asset ceiling	Subtotal	Contribution by employer	31 December 2012 (As restated)
Present value of defined benefit obligation	₱2,505,589	₱1,032,720	₱176,644	₱1,209,364	₱–	₱–	₱519,028	₱175,816	₱694,844	₱–	₱4,409,797
Fair value of plan assets	4,003,551	–	292,825	292,825	(68,607)	–	–	–	(68,607)	300,000	4,527,769
	(1,497,962)	1,032,720	(116,181)	916,539	(68,607)		519,028	175,816	763,451	(300,000)	(117,972)
Restrictions on asset recognized	127,273		8,973	8,973	–	–	–	(129,453)	(129,453)	–	6,793
Net defined benefit liability (asset)	(₱1,370,689)	₱1,032,720	(₱107,208)	₱925,512	(₱68,607)		₱519,028	₱46,363	₱633,998	(₱300,000)	(₱111,179)

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair value of plan assets by each classes as at the end of the reporting period are as follow:

	2013	2012
Cash and cash equivalents	**₱887,748**	₱645,481
Available-for-sale investments	**4,656,204**	3,757,941
Unquoted debt securities	**–**	100,000
Accrued and other receivables	**11,173**	24,347
	₱5,555,125	₱4,527,769

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

In 2013 and 2012, the cash and cash equivalent and available-for-sale investments have high grade credit quality while accrued and other receivable have standard credit quality.

The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2013	2012
Discount rate	**6.38%**	6.11%
Future salary increases	**8.00%**	8.00%
Average remaining working life (in years)	**30.2**	30.2

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+1 basis point	(₱641,734)
	-1 basis point	753,702
Salary increase rates	+1 basis point	679,233
	-1 basis point	(595,005)

The Company expects to contribute ₱1.2 million to the defined benefit plan in 2014.

The plan assets' concentration risks are limited to financial services.

The average duration of the defined benefit plan at the end of the reporting date is 16.1 years.

	2013	2012
Less than 1 year	**₱880,460**	₱–
More than 1 year to 5 years	–	906,293
More than 5 years to 10 years	–	1,022,264
More than 10 years to 15 years	**3,792,352**	1,623,093
More than 15 years to 20 years	**10,737,716**	7,293,386
More than 20 to 25 years	**28,612,099**	16,303,320
More than 25 years	**801,883,070**	475,902,067

18. Miscellaneous

Miscellaneous income consists of the following items:

	2013	2012	2011
Penalties	**₱9,809,440**	₱5,771,692	₱2,272,065
Recoveries	**6,420,110**	3,678,425	711,416
Miscellaneous	**790,930**	1,993,086	1,035,209
	₱17,020,480	₱11,443,203	₱4,018,690

Miscellaneous expenses consist of the following items:

	2013	2012	2011
Stationeries and supplies	**₱3,330,095**	₱2,229,703	₱2,055,975
Communication	**1,599,055**	1,778,870	1,375,420
Advertising and promotions	**1,523,635**	13,138,556	5,168,875
Repairs and maintenance	**963,668**	83,218	463,940
Meetings and conferences	**237,105**	158,821	69,305
Insurance	**213,468**	927,879	290,402
Training and development	**121,756**	215,905	60,999
Loss on write-off of software cost	–	–	101,606
Miscellaneous	**4,033,486**	224,151	951,616
	₱12,022,268	₱18,757,103	₱10,538,138

Miscellaneous expenses include donations, membership dues and other expenses.

19. Income Taxes

Provision for (benefit from) income tax consists of:

	2013	2012 (As Restated)	2011 (As Restated)
Current:			
RCIT	**₱4,455,659**	₱4,792,103	₱11,701,062
Deferred	**(5,321,482)**	1,614,535	(6,393,715)
	(₱865,823)	₱6,406,638	₱5,307,347

The components of deferred tax assets follow:

	2013	2012 (As Restated)
Deferred tax assets on:		
Allowance for impairment and credit losses	**₱13,834,695**	₱8,048,131
Retirement liability	**–**	645,382
Past service cost	**175,326**	207,069
	14,010,021	8,900,582
Deferred tax liabilities on:		
Remeasurement gain on retirement asset	**584,800**	484,718
Retirement asset	**43,435**	–
	₱13,381,786	₱8,415,864

The reconciliation of the statutory income tax to the effective income tax follows:

	2013	2012 (As Restated)	2011 (As Restated)
Statutory income tax	**₱6,671,432**	₱10,505,511	₱7,447,316
Tax effects of:			
Tax exempt income and nontaxable income	**(16,004,837)**	(5,337,358)	(2,787,759)
Nondeductible interest expense	**784,212**	7,741	55,066
Change in unrecognized deferred tax assets		–	–
Nondeductible expense	**6,754,843**	1,346,428	610,757
Interest subjected to final tax and dividend income	**(11,760)**	(1,638,811)	(1,098,033)
Others	**940,287**	1,523,127	1,080,000
Effective income tax	**(₱865,823)**	₱6,406,638	₱5,307,347

As of December 31, 2013 and 2012, the Company did not recognize deferred tax asset on allowance for credit losses and unrealized loss on inventory writedown amounting to a total of a ₱24.21 million and ₱17.97 million, respectively,

Current tax regulations provide that the RCIT rate is 30.00%. Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

RA No. 9504, *An Act Amending National Internal Revenue Code*, provides that, the optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim itemized expense deductions instead of the OSD.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱1.97 million, ₱1.64 million and ₱1.63 million in 2013, 2012 and 2011, respectively.

20. Related Party Transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

	Outstanding balances/Amount/Volume		
Category	**2013**	**2012**	**Nature, Terms and Condition**
Parent Company			
Amalgamated Investment Bancorporation			
Other receivables	₱80,514	₱510,415	Adjustment from 2% to 20% expanded
Availments	-	520,307	withholding tax of AIB
Settlements	429,901	-	Payments of EWT of previous year on Company's claim for reimbursement.
			Unsecured, 1-year interest bearing placement
Notes payable	645,300,000	512,300,000	at 6.75% annual interest rate
Availments	168,000,000	94,000,000	Pretermination of notes payable
Settlements	35,000,000	67,500,000	
Interest Expense	33,973,088	33,666,119	Interest payment on notes payable
Share in Net Income of an Associate	41,120,108	67,036,675	Share in income from investee's profit
			Cash dividend from AIB
Dividend received	32,400,000	5,400,150	
Other Related Parties			
Motor Ace Philippines Inc.			
Other receivable	1,207,672	601,178	Non-interest bearing, unsecured
Availments	645,394	974,897	Payment of billing
Settlements	38,900	373,719	
Accounts payable	38,508,864	27,253,037	30-day unsecured, non-interest bearing
Availments	396,939,782	295,831,196	liability representing billings for motorcycle
Settlements	385,683,955	283,079,446	units financed by the Company
			Payment for billings of financed motorcycle units
keville Bancshares			
Professional fees	1,193,920	751,380	Payment of professional fees
MERG Realty Development Corporation			
Accounts receivable	38,835	30,643	
Availments	38,835	33,779	Availment of comprehensive insurance
Settlements	30,643	3,136	Payment of insurance billing
Interest Expense	2,190,000	2,372,500	Interest payment on notes payable
Directors and other stockholders			
Notes payable	94,349,786	86,202,427	Secured, 1-year interest bearing placement at
Availments	20,952,889	3,000,000	6.0% annual interest rate.
Settlements	12,805,530	-	Pretermination of notes payable
Interest expense	3,629,114	1,846,629	Interest payments for notes payable.
Professional Fees and other Management Fees	4,946,395	4,125,838	Payment of professional fees
Key Management Personnel			

Category	2013	2012	Nature, Terms and Condition
	Outstanding balances/Amount/Volume		
Notes Payable	16,600,000	12,400,000	
Availments	4,200,000	12,400,000	Secured, 1-year interest bearing placement at 6.0% annual interest rate.
Settlements	-		Pretermination of notes payable
Other Accounts Receivable	3,571,954		
Availments	4,000,000		Secured, interest-bearing
Settlements	664,078		Payment of receivable
Interest Expense	571,162	342,117	Interest payment on notes payable

Borrowings availed from related parties amounted to ₱756.25 million, ₱610.90 million and ₱428.00 million in 2013, 2012 and 2011, respectively, and settlement from borrowings amounted to ₱145.35 million, ₱103.61 million and ₱206.38 million in 2013, 2012 and 2011, respectively. Interest rates from borrowings range from 5.44% to 7.75% in 2012, 5.44% to 7.75% in 2011 and 7.5% to 8.00% in 2010. Borrowings from related parties are unsecured and to be settled in cash.

As of December 31, 2013 and 2012, notes payable and accrued interest payable arising from borrowings through other stockholders amounted to ₱645.30 million and ₱512.30 million, respectively, and nil and ₱0.075 million, respectively. Interest expense from these borrowings amounted to ₱33.97 million, ₱34.0 million and ₱34.76 million in 2013, 2012 and 2011, respectively.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱4.40 million, ₱4.47 million and ₱5.50 million in 2013, 2012 and 2011, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

21. Earnings Per Share

EPS amounts were calculated as follows:

	2013	2012 (As restated)	2011 (As restated)
a. Net income	**₱23,103,929**	₱28,611,731	₱19,517,038
b. Weighted average number of outstanding common shares	**199,847,220**	199,847,220	199,847,220
c. Basic/diluted earnings per share (a/b)	**₱0.12**	₱0.14	₱0.10

The weighted average number of outstanding common shares in 2012 and 2011 was recomputed after giving retroactive effect to stock dividends declared on July 25, 2013 and June 28, 2012, however, the impact to the EPS was immaterial (see Note 16).

22. Lease Commitment

The Company leases its office space for a period of one (1) year under a lease contract expiring on May 31, 2012. The lease contract was not renewed and no new lease agreement was entered by the Company upon the expiration of the lease term. The Company treats the lease agreement as continuing and effective to date. Total rent expense incurred in 2013, 2012 and 2011 amounted to ₱0.89 million, ₱0.87 million and ₱0.65 million, respectively. The lease contract is renewable annually upon agreement of the lessor and the Company.

As of December 31, 2013 and 2012, minimum lease payments due within one year from reporting date amounted to ₱0.89 million and ₱0.61 million, respectively.

23. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and licenses' account in the Company's statement of comprehensive income. Details for year 2013 consist of the following:

Gross receipts tax	₱11,006,946
Documentary stamp tax on loan instruments	3,960,061
License and permit fees	677,214
	₱15,644,221

As of December 31, 2013, accrued GRT and DST amounted to ₱1.33 million and ₱0.88 million.

Withholding Taxes

Details of withholding taxes as of December 31, 2013 follow:

	Remittance	Payable
Expanded withholding taxes	₱6,647,038	₱3,288,843
Withholding taxes on compensation and benefits	3,714,121	329,108
	₱10,361,159	₱3,617,951

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Makati Finance Corporation
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the Company) as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated April 10, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Exhibits II-IV listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respect, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 1, 2013, valid until June 30, 2016
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225198, January 2, 2014, Makati City

April 10, 2014

EXHIBIT II
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2013

MAKATI FINANCE CORPORATION
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

Unappropriated retained earnings, beginning		
(as previously stated)		₱46,562,718
Add (Less) Effect of adoption of amended accounting standard		67,791,194
Unappropriated retained earnings, beginning (restated)		114,353,912
Add (Less) Adjustments		
Accumulated equity in net income of an associate		(67,036,732)
Deferred tax asset as of December 31, 2012		(8,900,582)
Unappropriated retained earnings, as adjusted, beginning		38,416,598
Add: Net income actually earned/realized during the year		
Net income during the period closed to retained earnings	23,103,929	
Less: Non actual/ unrealized income net of tax		
Deferred tax benefit during the year	(5,321,482)	
Equity in net income of associate	(41,120,108)	
Dividend income from associate	32,400,000	9,062,339
Add (Less)		
Dividend declaration during the year		(4,890,507)
Total Retained earnings available for dividends		₱42,588,430

EXHIBIT III
MAKATI FINANCE CORPORATION
SCHEDULE OF ALL THE EFFECTIVE STANDARDS UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs and Philippine Accounting Standards (PASs)] effective as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Meaning of Effective PFRSs		✓*	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	

*Not early adopted

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓*	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Short-term Receivables and Payables		✓*	
	Portfolio Exception		✓*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation		✓*	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution		✓*	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

*Not early adopted

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*			✓
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	*PFRS 2- Group and Treasury Share Transactions*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

EXHIBIT IV
MAKATI FINANCE CORPORATION
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Available-for-sale investments:			
Orchard golf club shares	1	₱80,000	₱–
	1	₱80,000	₱–

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Cynthia M. Gacayan, Chief Operating Officer	₱–	₱4,000,000	₱677,137	₱–	₱3,571,954	₱–	₱3,571,954

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
None	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Loans Plus	₱448,000	₱–	₱448,000	₱–	₱–	₱–
Pushtech/IFCA	237,999	–	84,004	–	–	153,995
Accounting system (QnE)	32,840	–	10,368	–	–	22,472
5 (+1) Add'l concurrent Licenses - IFCA	91,000	–	27,996	–	–	63,004
50% Payroll System (Ser-BIZ-yo)	–	–	–	–	–	–
Full pymt Accounting system (QnE)	33,705	–	10,368	–	–	23,337
50% Payroll System (intellismart)	60,913	–	17,004	–	–	43,909
Deployment of Payroll System (Ser-BIZ-yo)	–	–	–	–	–	–
20% DP Payroll System (intellismart)	24,892	–	6,804	–	–	18,088
Windows 7 Prof OEM License	99,120	97,500	73,332	–	–	123,288
10 Kaspersky business space security	13,536		5,796	–	–	7,740
Windows 2003 server OEM license	–	28,000	7,780	–	–	20,220
Office standard 2013	–	211,800	17,649	–	–	194,151
	₱1,042,005	₱337,300	₱709,101	₱–	₱–	₱670,204

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
None	N/A	N/A	N/A

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
None	N/A	N/A

Schedule G. Guarantees of Securities of Other Issuers

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 a person for which statement is filed	Nature of guarantee
None	N/A	N/A	N/A	N/A

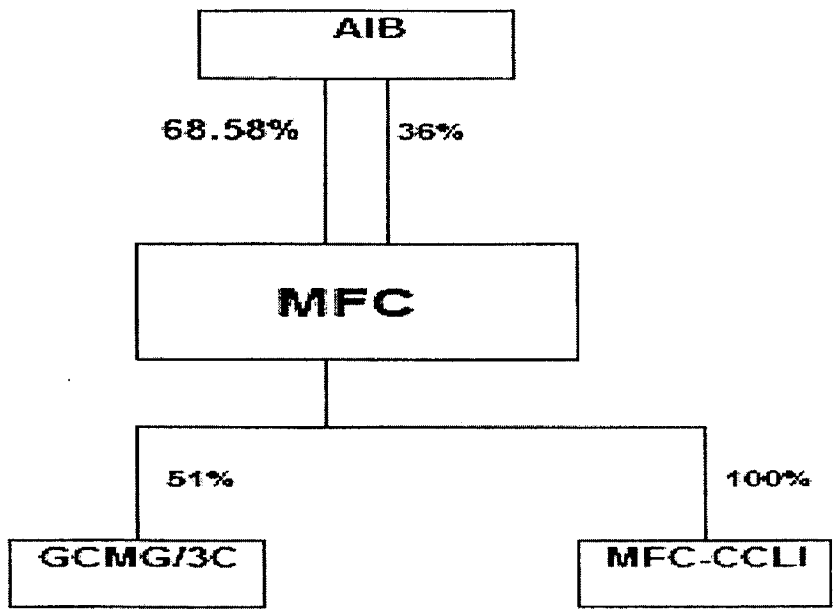
Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
Common	137,050,820	137,050,820	–	137,050,820	–	–
Common	13,617,635	13,617,635	–	–	–	13,617,635
Common	8,158,678	8,158,678	–	–	–	8,158,678
Common	7,939,097	7,939,097	–	–	7,939,097	–
Common	6,269,592	6,269,592	–	–	–	6,269,592
Common	5,350,773	5,350,773	–	–	5,350,773	–
Common	4,802,330	4,802,330	–	–	–	4,802,330
Common	4,572,329	4,572,329	–	–	–	4,572,329
Common	4,572,329	4,572,329	–	–	4,572,329	–
Common	1,932,754	1,932,754	–	–	1,932,754	–
Common	947,197	947,197	–	–	947,197	–
Common	580,000	580,000	–	–	–	580,000
Common	367,770	367,770	–	–	367,770	–
Common	347,145	347,145				347,145
Common	331,526	331,526	–	–	–	331,526
Common	262,457	262,457	–	–	–	262,457
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	212,986	212,986	–	–	212,986	–
Common	192,951	192,951	–	–	–	192,951
Common	137,536	137,536	–	–	–	137,536
Common	137,200	137,200	–	–	–	137,200
Common	63,816	63,816	–	–	–	63,816
Common	25,939	25,939	–	–	–	25,939
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by Affiliates	No. of shares held by Directors and Officers	No. of shares held by Others
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	17,738	17,738	–	–	–	17,738
Common	15,427	15,427	–	–	–	15,427
Common	13,617	13,617	–	–	–	13,617
Common	13,219	13,219	–	–	–	13,219
Common	12,394	12,394	–	–	–	12,394
Common	7,570	7,570	–	–	–	7,570
Common	6,471	6,471	–	–	–	6,471
Common	5,522	5,522	–	–	–	5,522
Common	5,512	5,512	–	–	–	5,512
Common	5,492	5,492	–	–	–	5,492
Common	5,432	5,432	–	–	–	5,432
Common	4,239	4,239	–	–	–	4,239
Common	2,101	2,101	–	–	–	2,101
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by Affiliates	Directors and Officers	Others
Common	1,156	1,156	–	–	–	1,156
Common	1,004	1,004	–	–	–	1,004
Common	575	575	–	–	–	575
Common	566	566	–	–	–	566
Common	393	393	–	–	–	393
Common	303	303	–	–	–	303
Common	210	210	–	–	–	210
Common	88	88	–	–	–	88
Common	88	88	–	–	–	88
Common	88	88	–	–	–	88
Common	88	88	–	–	–	88
Common	59	59	–	–	–	59
Common	29	29	–	–	–	29
Common	29	29	–	–	–	29
Common	29	29	–	–	29	–
Common	29	29	–	–	–	29
Common	29	29	–	–	–	29
Common	15	15	–	–	–	15
Common	15	15	–	–	15	–
Common	15	15	–	–	–	15
Common	15	15	–	–	15	–
Common	13	13	–	–	–	13
Common	1	1	–	–	1	–
	199,847,220	199,847,220	–	137,050,820	21,460,502	41,335,898

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013



Note: GCM/3C and MFC-CCLI are not audited by SGV

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

	2013	2012
Solvency and Liquidity Ratios		
Current ratio	117.38%	119.28%
Debt to equity ratio	280.98%	256.74%
Quick ratio	159.14%	151.37%
Profitability Ratios		
Return on assets	5.83%	7.60%
Return on equity	21.54%	26.17%
Net profit margin	26.28%	38.38%
Asset to Equity Ratio	380.98%	356.74%
Interest Rate Coverage Ratio	145.81%	178.73%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.20%	0.23%
Total receivables to total assets	76.11%	71.99%
Total DOSRI receivables to net worth	1.66%	0.70%
Amount of receivables from a single corporation to total receivables:		12.21%
Merg Realty and Development Corporation	0.28%	0.60%
Honda Motors World, Inc.	17.99%	12.49%

Computation for the Ratios:

- Current Ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

ANNEX B

MAKATI FINANCE CORPORATION

SEC FORM 17-Q

FOR THE QUARTER ENDING MARCH 31,2014

WITH COMPARATIVE FIGURES FOR 2013

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

May 12, 2014

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Dear Madam,

We are sending herewith the Quarterly Report for the period ended March 31, 2014 (SEC Form 17-Q) of Makati Finance Corporation.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
COO/Chief Information and Compliance Officer

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE

CORPORATION

(Company's Full Name)

2ND Floor, Makati

Finance Center 7823

Makati AVe., Makati City

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

CYNTHIA M. GACAYAN

Contact Person

897-0749

Company Telephone Number

12 Month 31 Day

Fiscal Year

2014

SEC Form 17-Q

FORM TYPE

Secondary License Type, If Applicable

07 Month 31 Day

Annual Meeting

CRMD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, **2014**

2. Commission identification number **28788**

3. BIR Tax Identification No. **000-473-966**

   MAKATI FINANCE CORPORATION
4. Exact name of issuer as specified in its charter

   MAKATI CITY, PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

   7823 MAKATI AVENUE, POBLACION, MAKATI CITY **1210**
7. Address of issuer's principal office Postal Code

   (0632) 896-02-21
8. Issuer's telephone number, including area code

   N/A
9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**199,847,220***

**as reported by the stock transfer agent as of March 31, 2014*

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

    Yes [X] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

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

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports) Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days. Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2014	*2013*
GROSS MARGIN	74.89%	72.40%
EBIT MARGIN	41.52%	48.01%
RETURN ON ASSETS(annualized)	1.78%	2.11%
DEBT TO EQUITY	278.26%	324.71%
RETURN ON EQUITY(annualized)	1.33%	9.07%

Gross margin increased by 2.49%, which is computed by deducting the cost of borrowing from the gross interest revenues. This is due to higher interest income of the Company in 2014 as against of year 2013. The EBIT margin, which measures profitability performance as annualized net income before interest and taxes over the total interest income, decreased to 41.52% in March 2014 as against 48.01% in March 2013 as a result of the company's thrust to produce higher quality loan portfolio with lower interest yield. Return on assets was 1.78% in 2014 as against 2.11% in 2013. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 1.33% in Mar 2014 as against 9.07% in March 2013. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction and other bank lines. The Company also get other bank lines for possible cash inflow. The Company's acquired assets are being offered at good prices, which is also a good source of funds. In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

Events that will Trigger Material Direct or Contingent Financial Obligation

There are no expected events that will trigger any material direct or contingent liabilities that the company may incur.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

There are no material Off-Balance Sheet transactions, arrangements or obligations.

Material Commitments for Capital Expenditure

The Company had started to implement its geographical expansion plans for the Motorcycle Financing line. As in any expansion, there is the need to invest in buying new office equipment , furnitures and service units (motorcycles) for the CSRs. The Company continued to spent its resources on computerization of financial system and spent on IT financial infrastructure.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱ 2.1 million for the third quarter of 2013. Net interest income for the quarter ending Sept amounted to ₱ 32.40 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

On operating expenses, increased salaries and benefits, commission and vehicle registration contributed to the increase in the operating expenses as of September 30, 2013 due to Motorcycle expansion. On matters of provisioning, the Company continued to be prudent such that even day one past due accounts are provisioned for but only within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱1,214.2 million, of which current assets were at ₱1,136.4 million.The increase is primarily due to our loan portfolio of our products being offered. Total liabilities amounting to ₱943.4 million as of September 30, 2013 was an increase from the ₱817.4 million from December 2012 due to additional funding requirements relative to Motorcycle expansion..

Material Events or Uncertainties

The Company had no material foreign exchange transactions; hence the peso depreciation had no direct effect on the company's financials. Management is not aware at this time of any forthcoming trends, uncertainties, demands, or events that would materially affect the Company's liquidity nor would have a material impact on its net income from continuing operations. There are also no material off-balance sheet transactions, arrangements nor obligations with unconsolidated entities. All the company's majority-owned subsidiaries do not have commercial operations as of September 30, 2013.

PART II--OTHER INFORMATION

NOT APPLICABLE.

There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

SIGNATURES

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

Issuer..................................TERESITA B. BENITEZ...........................

Signature and Title..........................VICE CHAIRMAN..........................

Date ......May 12, 2014

Principal Financial/Accounting Officer/Controller.......... CYNTHIA M. GACAYAN

Signature and Title.......................................>>..CHIEF OPERATING OFFICER..................

Date ....May 12, 2014

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2014
With Comparative Figures for 2013

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING MARCH 31, 2014 AND DECEMBER 31, 2013

	MARCH 31, 2014	**DEC. 31, 2013 (Audited)**
Current Assets		
Cash on Hand/in Banks	53,864,857	47,982,524
Short Term Investments	80,000	80,000
Receivables *(Note 4)*	992,497,960	984,176,173
Total Current Assets	1,046,442,817	1,032,238,697
Investment Properties	2,604,468	2,604,468
Investment in Associates	150,756,840	150,756,840
Property & Equipment - net *(Note 4)*	5,641,327	6,006,060
Deferred Tax Asset	13,381,786	13,381,786
Other Assets - net *(Note 5)*	82,255,673	88,156,131
Total Assets	**1,301,082,911**	**1,293,143,982**

	MARCH 31, 2014	**DEC. 31, 2013 (Audited)**
Current Liabilities		
Notes Payable *(Note 5)*	899,287,339	891,328,351
Accrued Expenses	17,631,641	11,643,615
Other Payables	40,195,615	50,747,352
Total	957,114,595	953,719,318
Stockholder's Equity		
Capital Stock – P1 par value		
Authorized – 300,000,000 shares		
Issued and Outstanding	199,847,220	199,847,220
Additional Paid in Capital	5,803,922	5,803,922,
Retained Earnings	132,567,334	109,463,405
Remeasurement gains on retirement assets	1,206,131	1,206,131
Share in other comprehensive income/(loss) of an associate	57	57
YTD Net Income	4,543,652	23,103,929
Total	343,968,316	339,424,664
Total Liabilities and Capital	**1,301,082,911**	**1,293,143,982**

MAKATI FINANCE CORPORATION
INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2014, 2013 and DEC. 31, 2013

	MAR. 2014	DEC. 2013 (AUDITED)	MAR. 2013
Interest Income – Loans	55,796,621	198,607,360	47,605,485
Interest Income - Short-term Investments			
Cost of Borrowings	14,011,158	48,540,423	13,138,107
Net Interest Income	41,785,463	150,066,937	34,467,378
Less: Provisions	2,720,184	68,337,508	515,927
Net Interest Income After Provision	39,065,279	81,729,429	33,951,451
Other Income	3,680,257	70,708,864	2,169,476
Operating Expenses			
Professional Fees	1,632,233	8,066,106	1,625,800
Salaries and Wages	13,497,301	52,219,304	10,375,751
Transportation & Representation	3,060,550	12,334,466	2,522,855
Depreciation & Amortization	1,123,144	4,156,515	1,134,423
Commissions	884,033	4,291,051	1,042,583
Loss from sale and writedown of MC inventories	8,233,193	16,488,182	3,149,439
Other Employee Benefits	46,470	-	-
Communications	820,600	1,599,055	274,942
Occupancy costs	1,039,077	4,978,073	1,105,245
Taxes	2,369,975	15,644,222	2,758,024
Other Operating Expenses	2,382,236	10,423,213	5,171,493
Total	35,088,812	130,200,187	29,160,555
Net Income Before Income Tax	**7,656,724**	**22,238,106**	**6,960,372**
Provision for Tax/Deferred Tax Adjustment	3,113,072	(865,823)	2,089,312
Net Income After Tax	**4,543,652**	**23,103,929**	**4,871,060**
Total Comprehensive Income	**4,543,652**	**23,103,929**	**4,871,060**
RETAINED EARNINGS, BEGINNING	**132,567,334**	**109,463,405**	**46,562,720**
RETAINED EARNINGS, QUARTER/YEAR-END	**137,110,986**	**132,567,334**	**51,433,780**
BASIC EARNINGS PER SHARE*	**0.02**	**0.12**	**0.02**

***As of March 31, 2014, and December 31, 2013,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTE RIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING MARCH 31, 2014 AND 2013

	2014 31-Mar	2013 31-Mar
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	7,656,724	6,960,371
Adjustments for:		
Provisions for probable losses	2,720,184	515,927
Depreciation and amortization	1,123,144	1,134,423
Dividend Income		
Loss on writeoff of investment property		
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	(11,041,971)	(79,838,656)
Other Assets	5,900,458	39,302,481
Increase (decrease) in the amounts of:		
Accrued Expenses Payable	223,723	16,237,492
Pension Liability		300,000
Other Payable	(6,011,746)	3,853,393
Net cash provided by (used in) operating activities	**570,516**	**(11,534,569)**
Interest Expense Paid		
Income Tax Paid	(1,888,760)	
Net Cash provided by (used in) operating activities	**(1,318,244)**	**(11,534,569)**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(758,411)	(316,793)
Pre-termination of short-term money market placement	-	
Cash Dividends from AIB		
Proceeds from Sale of Property and Equipment	-	
Net cash provided by (used in) investing activities	**(758,411)**	**(316,793)**
Cash Flow From FINANCING Activities		
Cash dividend paid		
Loan Availments (net of Pre-termination)	7,958,988	(13,536,905)
Net cash provided by (used in) financing activities	**7,958,988**	**(13,536,905)**
Net cash provided by (used in) Cash and Cash Equivalents	**5,882,333**	**(25,388,267)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,982,254	28,259,851
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**53,864,857**	**2,871,584**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2014 AND 2013 AND DECEMBER 31, 2013

	Mar 31, 2014	Dec. 31, 2013	Mar 31, 2013
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	199,847,220	197,402,011	197,402,011
Stock dividends		2,445,209	
Issuance during the year			
	199,847,220	**199,847,220**	**197,402,011**
Additional paid-in capital			
Balance, beginning of year	5,803,922	5,803,922	5,803,922
Issuance during the year			
	5,803,922	**5,803,922**	**5,803,922**
Retained earnings (deficit)			
Balance, beginning of year	132,567,334	114,353,912	46,562,718
Adjustment to RE			
Stock dividends		(2,445,209)	
Cash dividends		(2,445,298)	
Total Comprehensive Income	4,543,652	23,103,929	4,871,060
Balance, end of quarter/year	**137,110,986**	**132,567,334**	**51,433,778**
Remeasurement gains on retirement assets	**1,206,131**	**1,206,131**	
Share in other comprehensive income/loss of an associate	**57**	**57**	
Net unrealized loss on investments			**-160,000**
Total Equity	**343,968,316**	**339,424,664**	**254,479,711**

MAKATI FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. General Information

Makati Finance Corporation (the Company) was incorporated in the Philippines on February 17, 1966. The Company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

The Company's principal place of business is at 2nd Floor, Makati Finance Centre, 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange (PSE) on January 6, 2003 and is majority-owned by Amalgamated Investment Bancorporation (AIB).

The accompanying financial statements of the Company were approved by the Audit Committee as authorized for issue by the Board of Directors (BOD) on April 10, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso, the Company's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

The Company presents an additional statement of financial position at the beginning of the earliest period presented where there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at January 1, 2012 is presented in these financial statements due to retrospective application of certain policies as discussed in 'Changes in Accounting Policies and Disclosures'.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 15.

Assets and liabilities and income and expense are not offset unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended standards, which were adopted as of January 1, 2013. Except as otherwise indicated, the adoption of the new and amended standards did not have any significant impact on the accounting policies, financial position or performance of the Company. Additional disclosures,where required, are provided in the individual notes relating to the new and amended standards.

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. Theamendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately forfinancial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;

b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

c) The net amounts presented in the statement of financial position;

d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and

ii. Amounts related to financial collateral (including cash collateral); and

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

PFRS 10, *Consolidated Financial Statements*

The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standard Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, *Joint Arrangements*

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities -Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries,joint arrangements, associates and structured entities. The requirements in PFRS 12 are morecomprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements.

PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 4.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)* The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled.
The amendments affect presentation only and have no impact on the Company's financial position or performance.

PAS 19, *Employee Benefits (Revised)*
On January 1, 2013, the Company adopted the Revised PAS 19, *Employee Benefits.*

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the issuance of the new PFRS 11, *Joint Arrangement*, and PFRS 12 , *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Assoociates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. The adoption of these annual improvements to PFRS and PAS has no significant impact on the financial statements.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward,without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative Information*

These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy,or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity Instruments* The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information fortotal assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

Significant Accounting Policies

Cash on Hand and In Banks
Cash includes cash on hand and in banks.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Refer to Note 4

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Company recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial instruments measured at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial instruments in the following categories: Financial assets at FVPL, AFS investments, held-tomaturity(HTM) investments, loans and receivables, financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2013 and 2012, the Company has no outstanding financial assets and liabilities at FVPL and HTM investments.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on valuation methodologies whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference), if any, in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases when the fair value is determined using data which are not observable, thedifference between the transaction price and the model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to statement of financial position captions, 'Cash on hand and in banks' and 'Loans and other receivables'.

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

Loans and receivables are classified as nonperforming or considered impaired when the principal is past due, or when, in the opinion of management, collection of interest and principal is doubtful. These receivables will not be reclassified as performing until interest and principal payments are brought current or the receivables are restructured and future payments appear assured.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

Unearned interest income is shown as a deduction from 'Loans and receivables'.

AFS investments
AFS investments are those nonderivative financial assets that are designated as such or are not classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments pertain to golf club shares.

After initial measurement, AFS investments are subsequently measured at fair value. Theunrealized gains or losses arising from the fair valuation of AFS investments are excluded from reported income and are reported as 'Net unrealized loss on AFS investments' in Other Comprehensive Income.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in the statement of comprehensive income. Dividends earned are recognized in the statement of comprehensive income when the Company's right to receive payment is established. Impairment losses arising from impairment of such investments are recognized in the statement of comprehensive income.

Other financial liabilities
Other financial liabilities are financial liabilities not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This accounting policy applies primarily to the Company's notes payable, accounts payable and accrued expenses.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

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

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

Loans and receivables
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be accrued based on the original EIR of the asset. Loans and receivables, together with the

associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance for impairment losses. If a future write-off is later recovered, any amounts formerly charged are credited to the "Provision for credit losses" account in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

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

Investment in an Associate
An associate pertain to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in an associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognized changes in the Company's share in the net assets of the associate since acquisition date.

The statement of comprehensive income reports the Company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'share in net income of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the item of property and equipment to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	3-5 years
Leasehold rights and improvements	10 years or over the period of the lease, whichever is shorter
Transportation equipment	3-5 years

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of comprehensive income (see accounting policy on Impairment of Nonfinancial Assets).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Foreclosed properties are classified under investment properties on foreclosure date.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Investment properties are derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in the statement of comprehensive income in the year of derecognition.

Motorcycle Inventories

The Company forecloses the chattel mortgages attached to the loans pertaining to the Motorcycle (MC) Financing upon default at cost. The Company subsequently recognizes motorcycle inventories at their net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs to be incurred to make the sale have increased. The excess of the cost over the net realizable value is recognized as a loss from writedown of motorcycle inventories in the statement of comprehensive income.

Software Costs

Software costs, included under "Other assets" account in the statement of financial position, include costs incurred relative to the development of the Company's software. Software costs are amortized over three to five years on a straight-line basis from the date they are available for use.

Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is any indication that its property and equipment, investment properties, investment in subsidiaries and software cost may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

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

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to a 'Paid-in premium account'.

Retained earnings include all accumulated profits or losses of the Company less any dividends declared.

Dividends on Common Shares

Cash on common shares are recognized as a liability and deducted from equity when approved by the BOD and shareholders of the Company. Stock dividends are deducted from retained earnings when approved by the BOD and shareholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company has concluded that it is acting as principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Unearned interest income is recognized as income over the terms of the receivable using the effective interest method. Interest income on nondiscounted receivables is accrued as earned likewise using EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Service charges

Service charges are recognized only upon collection or accrued when there is reasonable certainty as to its collectability.

Dividend income

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

Miscellaneous income

Miscellaneous income represents other gains or revenues recognized as earned or collected and upon rendition of the service.

Expenses

Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Company. Expenses are recognized when incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with borrowing of funds.

Retirement Cost
The Company has a funded, noncontributory defined benefit retirement plan, administered by trustees, covering its permanent employees.

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods
.
Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), if any, and unused net operating loss carryover (NOLCO), if any, to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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 reporting date.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Liabilities and Contingent Assets

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year of the Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have dilutive potential common shares.

Events after Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

New Standards and Interpretations

Future Changes in Accounting Policies

Standards and Interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, PAS, and Philippine Interpretations to have significant impact on its financial statements. The Company will assess the impact of these amendments on its financial position or performance when they become effective.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance

Investment Entities *(Amendments to PFRS 10, PFRS 12 and PAS 27)*

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Company would qualify to be an investment entity under PFRS 10.

Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

· PFRS 2, *Share-based Payment - Definition of Vesting Condition*
· PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
· PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
· PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

· PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
. PAS 24, *Related Party Disclosures - Key Management Personnel*
· PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

· PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
· PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
· PFRS 13, *Fair Value Measurement - Portfolio Exception*
· PAS 40, *Investment Property*

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3. Significant Accounting Judgments and Estimates

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

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

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgments

(a) Classification of financial instruments
The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

(b) Operating leases
Company as a lessee
The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 22).

Estimates

(a) Impairment of AFS equity investment
The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20.0% or more and 'prolonged' greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The carrying values of the quoted AFS investment of the Company, which refers to one Orchard Club share and the related allowance for impairment losses are disclosed in Note 9.

(b) *Impairment of property and equipment, investment properties, investment in subsidiaries and software cost*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment, investment properties, investment in subsidiaries, and software and related allowance for impairment losses on investment properties and investment in subsidiaries are disclosed in Notes 12, 10, 11 and 13.

(c) *Writedown of motorcycle inventories*
The Company recognizes loss on writedown of motorcycle inventories at a level considered adequate to reflect the excess of cost of motorcycle inventories over their NRV. NRV of inventories are assessed regularly based on the prevailing selling prices less the estimated cost necessary to sell

The carrying value of motorcycle inventories and the related loss from writedown are disclosed in Note 12.

(d) *Recognition of deferred tax assets*
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 21.

(e) *Estimating useful lives of property and equipment, investment properties and software cost*
The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 2.

(f) *Valuation of retirement asset*
The cost of defined benefit pension plan as well as the present value of the pension obligationwas determined using actuarial valuations. The actuarial valuation involves making variousassumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement asset are provided in Note 17.

In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rate. Further details about the assumptions used are provided in Note 17.

4. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of financial instruments follow:

Cash on hand and in banks
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and other receivables
Carrying amounts approximate fair values as there is no significant change in the market interest rates from grant dates to reporting dates. The discount rates used ranges from 1.70% to 2.04% in 2013 and 2012.

AFS investments
AFS quoted equity shares - Fair values are based on quoted prices published in markets.

Notes payable
The carrying amounts of notes payable approximate fair values as these are repriced quarterly.

Accounts payable and accrued interest payable
The carrying amounts of accounts payable and accrued interest payable approximate fair values due to their short-term maturities.

Quoted equity securities classified as AFS investments are measured based on Level 1. In 2013 and 2012, there were no transfers of financial instruments between Level 1 and Level 2.

No instruments were measured based on Levels 2 and 3 and there were no transfers in and out of level 3 for 2013 and 2012.

5. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

<u>Credit Risk</u>
Credit risk management and collateral and other credit enhancements
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example for this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

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

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	2013			2012		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and other receivables						
Receivable from customers:						
Consumer	**₱900,377,609**	**₱855,678,405**	**₱44,699,204**	₱711,150,138	₱629,393,796	₱51,756,342
Services	**78,145,735**		**78,145,735**	84,939,107		84,939,107
Construction	**4,929,112**		**4,929,112**	15,153,399		15,153,399
Manufacturing	**723,717**	**–**	**723,717**	4,843,053		4,843,054
	₱984,176,173	**₱855,678,405**	**₱128,497,768**	₱816,085,697	₱659,393,795	₱156,691,905

Except for receivable from customers, the carrying values of the Company's other financial assets as reflected in the statements of financial position as of December 31, 2013 and 2012 represent the financial asset's maximum exposure to credit risk, since these are unsecured.

The tables below show a comparison of the credit quality of the Company's financial assets (gross of unearned interest income, client's equity and allowance for impairment losses) as of December 31:

2013

	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Available-for-sale investments	**₱**	**₱–**	**₱–**	**₱–**	**₱250,000**	**₱250,000**
Loans and other receivables						
Cash in banks	**46,904,524**	**–**	**–**	**–**	**–**	**46,904,524**
Receivable from customers:						
Consumer	**781,2268,139**	**–**	**24,275,459**	**1,138,160**	**511,886,505**	**1,318,568,263**
Services	**–**		**94,413,066**	**20,914,827**	**5,492,560**	**120,820,453**
Construction	**–**	**-**	**7,041,589**		**–**	**7,041,589**
Manufacturing	**–**	**-**	**1,033,881**	**–**	**–**	**1,033,881**
Other receivables		**–**	**21,322,555**	**–**	**949,000**	**22,271,555**
	₱828,172,663	**₱**	**148,086,550–**	**₱22,052,987**	**₱518,578,065**	**1,516,890,265**

The Company's basis in grading its financial assets are as follows:

Cash in banks
High grade pertains to cash deposited in local banks belonging to top 10 rank.

Loans and other receivables
- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.

The analysis of receivables from customers that were past due but not impaired follows:

	December 31, 2013					
	<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Consumer	**₱**	**₱**	**₱1,138,160**	**₱**	**₱**	**₱1,138,160**
Services	**18,641,875**	**1,316,875**	**956,077**			**20,914,827**
	₱18,641,875	**₱1,316,875**	**₱2,094,237**	**₱**	**₱**	**₱22,052,987**

	December 31, 2012					
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	₱137,427,176	₱66,316,018	₱43,939,539	₱24,019,136	₱38,061,088	₱309,762,957
Services	5,003,261		486,129	524,219	457,500	6,471,109
Construction	–	–	–	–	7,463,267	7,463,267
	₱142,430,437	₱66,316,018	₱44,425,668	₱24,543,355	₱45,981,855	₱323,697,333

Impairment assessment
The Company recognizes impairment/credit losses based on the results of specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the payment of obligation by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days).

These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

Liquidity risk
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment for asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Company maintains a level of cash on hand and in banks deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

	2013					
	Up to 3 months	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 years**	**More than 3 years**	**Total**
Financial assets						
Loans and other receivables						
Cash in banks	**₱47,982,524**	**₱–**	**₱–**	**₱–**	**₱–**	**₱47,982,524**
Receivable from customers:						
Consumer	**233,676,876**	**144,097,106**	**267,638,944**	**672,981,423**	**176,913**	**1,318,571,262**
Services	**49,143,860**	**17,792,007**	**14,212,109**	**39,672,476**		**120,820,453**
Construction	**586,799**	**586,799**	**1,173,598**	**4,694,393**		**7,041,589**
Manufacturing	**895,929**	**137,952**			**–**	**1,033,881**
Other receivables	**15,089,100**	**652,951**	**1,305,901**	**5,223,604**	**–**	**22,271,555**

	₱347,375,088	**₱163,266,815**	**₱284,330,552**	**₱722,571,896**	**₱173,913**	**₱1,517,721,265**
Financial liabilities						
Notes payable	**₱61,768,335**	**₱ 174,109,068**	**₱548,688,827**	**₱106,762,121**	**₱–**	**₱ 891,328,351**
Accounts payable	**48,096,121**	**–**	**–**	**–**	**–**	**48,096,121**
Accrued interest	**395,096**	**–**	**–**	**–**	**–**	**395,096**
	₱110,259,552	**₱174,109,068**	**₱548,688,827**	**₱106,762,121**	**₱–**	**₱939,819,568**

Interest rate risk
The profitability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loan operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from 6 months to 1 year.

Foreign exchange risk
The Company has no foreign currency denominated financial assets and liabilities as of December 31, 2013 and 2012. Accordingly, the Company does not have exposure to foreign exchange risk.

1. Receivables

Receivables consist of:

	Mar-14	Dec-13
Loans receivable	1,477,879,296	1,447,464,185
Others	10,292,040	22,271,555
	1,488,171,336	1,469,735,740
Unearned interest income/discount	-459,729,103	-433,996,128
Client's equity		-17,390,350
Allowance for credit losses	-39,171,281	-34,173,089
	989,270,952	984,176,173

Property and Equipment

The movements of property and equipment during the year follow:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance, January 1, 2014	7,825,361	1,272,097	7,853,877	16,951,335
Additions	566,295			566,295
Balance, Mar 31, 2014	8,391,656	1,272,097	7,853,877	17,517,630
Accumulated Depreciation and Amortization				

Balance, January 1, 2014	5,749,783	516,418	4,679,074	10,945,275
Depreciation and amortization	374,529	41,159	515,340	931,028
Balance, Mar 31, 2014	6,124,312	557,577	5,194,414	11,876,303
Net Book Value				
Mar 31, 2014	**2,267,344**	**714,520**	**2,659,463**	**5,641,327**
Dec. 31, 2013(Audited)	**2,075,578**	**755,679**	**3,174,803**	**6,006,060**

2. Other Assets

This account consists of:

	Mar-14	Dec-13
Computer Software	488,087	670,204
Prepaid Expenses	2,338,938	1,137,384
Motorcycle Inventories	79,043,703	86,203,759
Miscellaneous	384,945	
	82,255,673	88,011,347

3. Investment in an Associate

As of March 31, 2014 and December 31, 2013, investments in associate pertains to investments in 36% shares of stock of AIB

Acquisition costs	₱75,000,000
Accumulated equity in net earnings	75,756,840
	₱150,756,840

4. Notes Payable

This represents short-term loans from the banks and Company's stockholders. Interest rates from borrowings range 5% to 6% per annum in 2013 and from 5.44% to 7.75% 2011.

5. Stockholders' Equity

On July 25, 2013, the BOD and stockholders approved the declaration of 1.2387177150% stock dividends in the maximum amount of ₱2,445,253.68 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,445,253.68. Fractional shares related to this declaration were settled in cash.

On June 28, 2012, the BOD and stockholders approved the declaration of 1.06% stock dividends in the amount of ₱2,074,121 to stockholders of record as of July 26, 2012 with distribution date not later than August 20, 2012. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,074,158. Fractional shares related to this declaration were settled in cash amounting to ₱37.30.

On June 23, 2011, the BOD and stockholders approved the declaration of 0.96% stock dividends in the amount of ₱1,853,245 to stockholders of record as of July 21, 2011 with distribution date not later than August 15, 2011. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,853,331. Fractional shares related to this declaration were settled in cash amounting to ₱43.00.

On June 24, 2010, the BOD approved the declaration of 0.84% stock dividends in the amount of P1,612,240 to stockholders of record as of July 19, 2010 with distribution date not later than August 16, 2010. On the same date, the BOD also approved the declaration of cash dividends amounting to P1,612,316. Fractional shares related to this declaration were settled in cash amounting to P76.

On June 4, 2009, the BOD approved the declaration of 0.43% stock dividends in the amount of P819,764 to stockholders of record as of July 2, 2009 with distribution date not later than July 28, 2009. On the same date, the BOD also approved the declaration of cash dividends amounting to P819,716. Fractional shares related to this declaration were settled in cash amounting to P48.00

On June 19, 2008, the BOD approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,257,147. Fractional shares related to this declaration were settled in cash amounting to ₱35.

In 2007, the Company received an additional capital infusion from its stockholders for their subscription of 48,543,689 shares to be issued out of the proposed increase in authorized capital stock from 90 million common shares to 300 million common shares with a par value of ₱1 per share. This was recorded as deposits for future stock subscription in the amount of ₱50.00 million. In addition, the BOD approved the declaration of stock dividends in the maximum of 50,241,970 shares for shareholders as of November 27, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱4. The SEC approved the increase in authorized capital stock on March 6, 2008.

On June 14, 2007, the BOD approved the declarationof cash dividends amounting to ₱2,430,832 and 3.01% stock dividends amounting to ₱2,430,712 in favor of the stockholders of record as of July 12, 2007. In addition, on November 6, 2007, the BOD approved the declaration of 8.28% stock dividends amounting to ₱6,882,103 in favor of the stockholders of record as of November 26, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱41.

MAKATI FINANCE CORPORATION

SCHEDULE SHOWING FINANCIAL SOUNDNESS

PURSUANT TO SRC RULE 68, AS AMENDED

MARCH 31, 2014

	2014	2013
Solvency and Liquidity Ratios		
Current ratio	109.33%	119.00%
Debt to equity ratio	278.26%	324.71%
Quick ratio	113.33%	108.80%
Profitability Ratios		
Return on assets	1.78%	2.11%
Return on equity	1.33%	9.07%
Net profit margin	41.52%	48.01%
Asset to Equity Ratio	378.26%	424.71%
Interest Rate Coverage Ratio	178.31%	184.43%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.20%	0.00%
Total receivables to total assets	76.28%	81.16%
Total DOSRI receivables to networth	2.24%	5.20%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	0.79%	0.60%
Honda Motor World, Inc.	51.31%	12.00%

AGING OF RECEIVABLES

AS OF MARCH 31, 2014

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS
A. Trade Receivables						
Loans Receivable (Gross PN Value)*						
As to Maturity Date:						
Within 1 year or less	-	-	-	-	-	-
Maturity after 1 year	-	-	-	-	-	-
Loan Receivables	1,374,479,999	24,046,632	14,249,552	9,579,753	13,504,715	42,018,645
SUB-TOTAL	**1,374,480,456**	**24,046,632**	**14,249,552**	**9,579,296**	**13,504,715**	**42,018,645**
Less: Allowance for Doubtful Accounts**						39,171,281
Net Trade Receivables	**1,374,480,456**	**24,046,632**	**14,249,552**	**9,579,296**	**13,504,715**	**2,847,364**

***Gross PN Value=Principal + Unearned Interest & Discount/Clients' Equity**

****Allowance for doubtful accounts is for principal only. (Please see notes on Receivables)**

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS
B. Non-Trade Receivables						
Due from Subsidiaries/Affiliates						
As to Maturity Date:						
Within 1 year or less**		-	-	-	-	-
Maturity after 1 year	10,292,040	-	-	-	-	-
SUB-TOTAL	**10,292,040**	**-**	**-**	**-**	**-**	**-**
Less: Allowance for Doubtful Accounts		-	-	-	-	
Net Non-Trade Receivables	**10,292,040**	**-**	**-**	**-**	**-**	**-**
NET RECEIVABLES	**1,384,772,496**	**24,046,632**	**14,249,552**	**9,579,296**	**13,504,715**	**2,847,364**