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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.

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

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.

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**	(411,799)	820,289
TOTAL COMPREHENSIVE INCOME	**₱24,093,570**	₱30,0[illegible]0,6[illegible]3	₱20,0[illegible]9,[illegible]26
Basic/Diluted Earnings Per Share (Note 21)	**₱0.12**	₱0.14	₱0.10

See accompanying Notes to Financial Statements.

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

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	₱152,[illegible]
Interest paid	**48,911,167**	53,520,352	32,418,496

See accompanying Notes to Financial Statements.

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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 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. 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.

<u>Derecognition of Financial Assets and Liabilities</u>
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 withholding tax of AIB
Availments	**-**	520,307	
Settlements	**429,901**	-	Payments of EWT of previous year on Company's claim for reimbursement.
Notes payable	**645,300,000**	512,300,000	Unsecured, 1-year interest bearing placement 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
Dividend received	**32,400,000**	5,400,150	Cash dividend from AIB
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 liability representing billings for motorcycle units financed by the Company
Availments	**396,939,782**	295,831,196	
Settlements	**385,683,955**	283,079,446	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 6.0% annual interest rate.
Availments	**20,952,889**	3,000,000	
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