

MAKATI FINANCE CORPORATION
(A Majority-owned Subsidiary of Amalgamated Investment Bancorporation)

FINANCIAL STATEMENTS
December 31, 2014
(With Comparative Figures for 2013)

MAKATI FINANCE

FINANCIAL SERVICES & ADVISORY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Makati Finance Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders has expressed its opinion on the fairness of presentation upon completion of such audit.



RENE B. BENITEZ
Chairman of the Board



MARCOS E. LAROSA
Chief Financial Officer

Signed this 8th day of April 2015

MAKATI FINANCE

FINANCIAL SERVICES & ADVISORY

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in MAKATI CITY City this APR 13 2015
day of _____ 2015, personally appeared:

<u>Name</u> <u>Issued</u>	<u>Ref. No.</u>	<u>Expiry</u> <u>Date/Place</u>
RENE B. BENITEZ	Passport No.EB5558345	June 3, 2017
MARCOS E. LAROSA	Driver's License#C07-07-012744	Oct.07, 2015 / Manila

known to me to be the same persons who executed the foregoing STATEMENT OF MANAGEMENT'S RESPONSIBILITY consisting of two (2) pages including this page on which this acknowledgement is written and that they acknowledged to me that the same is their free act and voluntary deed and that of the principals they represent.

This instrument consisting of _____ pages including this whereon the acknowledgement is written, together with its' Annexes, has been signed by the party and witnesses on each and every page thereof.

IN WITNESS WHEREOF, I have hereto affixed my notarial seal at the date and place first above written.

Doc No. 179 ;
Page No. 27 ;
Book No. _____ ;
Series of 2015. 482

ATTY. VIRGINIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
REG. NO. 706762 - LIFETIME MEMBER
PTR. NO. 474 - 8510 JAN 05, 2015
EXECUTIVE BLDG. CENTER,
MAKATI AVE., COR., JUPITER

MAKATI FINANCE

FINANCIAL SERVICES & ADVISORY

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MAX O. BORROMEEO
President



MARCOS E. LAROSA
Chief Financial Officer

Signed this 8th day of April 2015

MAKATI FINANCE

FINANCIAL SERVICES & ADVISORY

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in MAKATI CITY City this APR 13 2014
day of _____ 2015, personally appeared:

<u>Name</u> <u>Issued</u>	<u>Ref. No.</u>	<u>Expiry</u>	<u>Date/Place</u>
MAX O. BORROMEO	Passport No.EB9728865	Dec.02, 2018	
MARCOS E. LAROSA	Driver's License#C07-07-012744	Oct.07, 2015 / Manila	

known to me to be the same persons who executed the foregoing STATEMENT OF MANAGEMENT'S RESPONSIBILITY consisting of two (2) pages including this page on which this acknowledgement is written and that they acknowledged to me that the same is their free act and voluntary deed and that of the principals they represent.

This instrument consisting of _____ pages including this whereon the acknowledgement is written, together with its' Annexes, has been signed by the party and witnesses on each and every page thereof.

IN WITNESS WHEREOF, I have hereto affixed my notarial seal at the date and place first above written.

Doc No. _____
Page No. _____
Book No. _____
Series of 2015.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
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EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER



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Makati City 1226, Metro Manila, Philippines

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REPORT OF INDEPENDENT AUDITORS

The Stockholders and 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 statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising 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 audit. We conducted our audit 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 auditors' 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 auditors consider 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The accompanying financial statements of the Makati Finance Corporation as at and for the years ended December 31, 2013 and 2012 prepared in accordance with Philippine Financial Reporting Standards were audited by other auditors, whose report thereon dated April 10, 2014, expressed an unqualified opinion on those statements.

Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 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 management. 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.

R.G. MANABAT & CO.

Carmel Lynne M. Balde

CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

SEC Accreditation No. 1055-A, Group A, valid until April 30, 2015

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 4748098MC

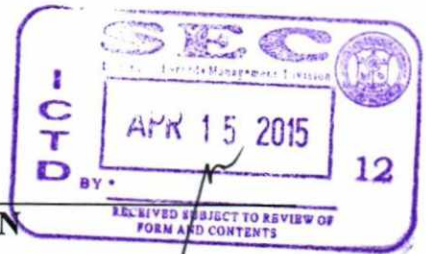
Issued January 5, 2015 at Makati City



April 8, 2015

Makati City, Metro Manila

MAKATI FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(With Comparative Figures for 2013)



	<i>Note</i>	2014	2013
ASSETS			
Cash on Hand and in Banks	8	P46,375,048	P47,982,524
Loans and Other Receivables - net	9	844,882,348	984,176,173
Investment in an Associate	10	154,302,222	150,756,840
Property and Equipment - net	11	5,551,098	6,006,060
Investment Properties	12	2,604,468	2,604,468
Retirement Asset - net	18	662,595	144,784
Deferred Tax Assets - net	20	21,312,700	13,381,786
Other Assets - net	13	184,477,840	88,091,347
		P1,260,168,319	P1,293,143,982
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	14, 21	P828,082,702	P891,328,351
Accounts payable	21	21,860,364	48,096,121
Accrued expenses	15	27,232,986	11,643,615
Income tax payable		3,443,187	2,651,231
		880,619,239	953,719,318
Equity			
Capital stock	17	203,312,773	199,847,220
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		167,321,336	132,567,334
Remeasurement gains on retirement asset	18	3,110,992	1,206,131
Share in other comprehensive income of an associate		57	57
		379,549,080	339,424,664
		P1,260,168,319	P1,293,143,982

See Notes to the Financial Statements.



APR 14 2015

MAKATI FINANCE CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013 and 2012)

	<i>Note</i>	2014	2013	2012
INTEREST INCOME	7, 8	P220,193,623	P198,607,360	P176,556,651
INTEREST EXPENSE	14, 21	50,571,236	48,540,423	44,478,344
NET INTEREST INCOME		169,622,387	150,066,937	132,078,307
OTHER INCOME				
Gain on sale of available-for-sale financial assets	13	-	12,229,350	-
Service charges		1,928,561	338,926	1,334,248
Miscellaneous	19	13,664,680	17,020,480	11,443,203
TOTAL OTHER INCOME		15,593,241	29,588,756	12,777,451
TOTAL OPERATING INCOME		185,215,628	179,655,693	144,855,758
OPERATING EXPENSES				
Provision for credit losses	9	17,443,569	68,337,508	3,239,114
Salaries and employee benefits	18, 21	57,565,340	52,219,304	40,538,151
Loss from sale and inventory write-down of motorcycles	13	48,726,019	16,488,182	17,879,007
Taxes and licenses		16,088,488	15,644,222	13,896,518
Travel and transportation		11,875,483	10,362,120	7,788,926
Management and professional fees	21	8,754,751	8,066,106	10,386,468
Occupancy costs	23	6,753,016	4,978,073	4,144,628
Commissions		2,855,901	4,291,051	5,111,842
Depreciation and amortization	11	2,517,144	3,447,414	3,605,296
Entertainment, amusement and recreation	21	1,744,266	1,972,346	1,636,742
Amortization of software costs	13	367,646	709,101	644,789
Miscellaneous	19	9,664,667	12,022,268	18,757,103
TOTAL OPERATING EXPENSES		184,356,290	198,537,695	127,628,584
INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX		859,338	(18,882,002)	17,227,174
SHARE IN NET INCOME OF AN ASSOCIATE	10	39,545,382	41,120,108	17,791,195
INCOME BEFORE INCOME TAX		40,404,720	22,238,106	35,018,369
INCOME TAX BENEFIT (EXPENSE)	20	1,280,459	865,823	(6,406,638)
NET INCOME		41,685,179	23,103,929	28,611,731

Forward



APR 14 2015

	<i>Note</i>	2014	2013	2012
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss				
Share in other comprehensive income of an associate	<i>10</i>	P -	P -	P1,932,691
Net unrealized loss on available-for-sale investments	<i>13</i>	-	160,000	(60,000)
Items that may not be reclassified to profit or loss				
Remeasurement gains (losses) on defined benefit obligation, net of deferred tax of P0.50 million, P0.52 million, and P0.16 million in 2014, 2013, and 2012, respectively	<i>18</i>	1,904,861	829,641	(443,799)
TOTAL COMPREHENSIVE INCOME		P43,590,040	P24,093,570	P30,040,623
Basic/Diluted Earnings Per Share	<i>22</i>	P0.21	P0.11	P0.14

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013 and 2012)

	<i>Note</i>	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Net Unrealized Loss on Available-for-Sale Investments	Remeasurement Gains on Retirement Asset (Note 18)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2014		P199,847,220	P5,803,922	P132,567,334	P -	P1,206,131	P57	P339,424,664
Stock dividends	17	3,465,553	-	(3,465,553)	-	-	-	-
Cash dividends including fractional shares	17	-	-	(3,465,624)	-	-	-	(3,465,624)
Total comprehensive income								
Net income		-	-	41,685,179	-	-	-	41,685,179
Other comprehensive income		-	-	-	-	1,904,861	-	1,904,861
		-	-	41,685,179	-	1,904,861	-	43,590,040
Balance at December 31, 2014		P203,312,773	P5,803,922	P167,321,336	P -	P3,110,992	P57	P379,549,080
Balance at January 1, 2013		P197,402,011	P5,803,922	P114,353,912	(P160,000)	P376,490	P57	P317,776,392
Stock dividends	17	2,445,209	-	(2,445,209)	-	-	-	-
Cash dividends	17	-	-	(2,445,298)	-	-	-	(2,445,298)
Total comprehensive income								
Net income		-	-	23,103,929	-	-	-	23,103,929
Other comprehensive income		-	-	-	160,000	829,641	-	989,641
		-	-	23,103,929	160,000	829,641	-	24,093,570
Balance at December 31, 2013		P199,847,220	P5,803,922	P132,567,334	P -	P1,206,131	P57	P339,424,664
Balance at January 1, 2012		P195,327,890	P5,803,922	P89,890,497	P(100,000)	P820,289	P(1,932,634)	P289,809,964
Stock dividends	17	2,074,121	-	(2,074,121)	-	-	-	-
Cash dividends including fractional shares	17	-	-	(2,074,195)	-	-	-	(2,074,195)
Total comprehensive income								
Net income		-	-	28,611,731	-	-	-	28,611,731
Other comprehensive income		-	-	-	(60,000)	(443,799)	1,932,691	1,428,892
		-	-	28,611,731	(60,000)	(443,799)	1,932,691	30,040,623
Balance at December 31, 2012		P197,402,011	P5,803,922	P114,353,912	P(160,000)	P376,490	P57	P317,776,392

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013 and 2012)

	<i>Note</i>	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P40,404,720	P22,238,106	P35,018,369
Adjustments for:				
Provision for credit losses	9	17,443,569	68,337,508	3,239,114
Share in the net income of an associate	10	(39,545,382)	(41,120,108)	(17,791,195)
Gain on sale of available-for-sale investments		-	(12,229,350)	-
Pension expense	18	1,884,903	-	-
Depreciation and amortization	11	2,517,144	3,447,414	3,605,296
Amortization of software costs	13	367,646	709,101	644,789
Gain on sale of investment properties and property and equipment		-	-	213,697
Operating income before changes in working capital		23,072,600	41,382,671	24,930,070
Changes in operating assets and liabilities:				
Increase (decrease) in:				
Loans and other receivables		121,850,256	(236,157,983)	(79,253,810)
Pension asset		-	796,036	625,513
Other assets		(97,155,446)	41,915,319	(93,636,560)
Increase (decrease) in:				
Accounts payable		(26,235,757)	9,150,899	16,380,695
Accrued expenses		12,610,554	1,064,543	(7,573,323)
Net cash provided by (used in) operations		34,142,207	(141,848,515)	(138,527,415)
Income taxes paid		(6,356,354)	(4,498,701)	(11,415,915)
Net cash provided by (used in) operating activities		27,785,853	(146,347,216)	(149,943,330)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	11	(2,365,230)	(3,811,829)	(2,692,448)
Software costs	13	(398,990)	(337,300)	(133,400)
Available-for-sale investments		-	(54,613,643)	-
Cash dividends received	10	36,000,000	32,400,000	5,400,150
Proceeds from sale of:				
Property and equipment		-	-	804,253
Available-for-sale investments		-	66,842,993	-
Net cash provided by investing activities		33,235,780	40,480,221	3,378,555

Forward

	<i>Note</i>	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable		P79,400,000	P245,010,858	P330,920,041
Payments of notes payable		(138,563,485)	(116,975,892)	(185,722,593)
Cash dividends paid	<i>17</i>	(3,465,624)	(2,445,298)	(2,074,195)
Net cash provided by (used in) financing activities		(62,629,109)	125,589,668	143,123,253
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS				
		(1,607,476)	19,722,673	(3,441,523)
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR				
		47,982,524	28,259,851	31,701,374
CASH ON HAND AND IN BANKS AT END OF YEAR				
	<i>8</i>	P46,375,048	P47,982,524	P28,259,851
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		P228,958,581	P204,855,032	P171,950,172
Interest paid		37,726,971	48,911,167	53,529,352

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(With Comparative Figures for 2013)

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 (70%) by Amalgamated Investment Bancorporation (AIB).

2. Basis of Preparation

Statement of Compliance

The accompanying financial statements of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs), PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for retirement assets and available-for-sale (AFS) financial assets which are measured at their fair values.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, which is the functional and presentation currency of the Company. All financial information has been rounded off to the nearest peso unless otherwise indicated.

Approval of Issuance of Financial Statements

The financial statements of the Company were approved by the Audit Committee, as authorized for issue by the Board of Directors (BOD), on April 8, 2015.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to the comparative years presented in these financial statements, and have been applied consistently by the Company, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards and interpretations starting January 1, 2014 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:

- an entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
- gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

- *Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011))*.

These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to PAS 36)*.

These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- *Measurement of short-term receivables and payables (Amendment to PFRS 13)*. Amendment to PFRS 13 is part of the Annual Improvements to PFRSs 2010-2012 Cycle. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment to PFRS 13 is effective immediately.

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 assesses its revenue arrangements to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest

Interest income and expense are accrued using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Company estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes all fees, transaction costs, and all other discounts or premiums that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset or financial liability.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method.

Interest from bank deposit accounts is recognized as the interest is earned.

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 right to receive payment has been established. Usually, this is the ex-dividend date for quoted equity securities.

Miscellaneous Income

Income from other sources is recognized when earned.

Expenses

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably.

Financial Instruments

Financial assets and financial liabilities are accounted for as follows:

Recognition

The Company recognizes a financial asset or a financial liability 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.

All financial instruments are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs that are attributable to its acquisition or issue.

Classification and Measurement

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. 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, 2014 and 2013, the Company has no HTM investments and financial assets and liabilities at FVPL.

The measurement of financial instruments subsequent to initial recognition is described below:

a. Securities at FVPL

Securities at FVPL consist of debt and private equity securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair market value; realized and unrealized gains and losses on these instruments are recognized in profit or loss of the Company. Quoted market prices, when available, are used to determine the fair value of these financial instruments. Interest earned is recorded in interest income while dividend income is recorded in other income according to the terms of the contract, or when the right of payment has been established.

b. AFS Financial Assets

AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as securities 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.

After initial measurement, any AFS financial assets are subsequently measured at fair value. Any unrealized gains or losses arising from the fair valuation of AFS financial assets are excluded from reported income and are reported 'Net unrealized loss on Available-for-sale investments' in other comprehensive income (OCI).

When the AFS financial asset is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in profit or loss.

c. HTM Investments

HTM investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as AFS.

After initial measurement, HTM investments are carried at amortized cost using the effective interest method less any impairment losses. A sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as AFS, and would prevent the Company from classifying investment securities as HTM for the current and the following two financial years.

d. *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 and 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.

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

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% 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.'

Included in this category are 'Cash and cash equivalent' and 'Loans and other receivables'. Cash includes cash on hand and in banks and are stated at face value.

e. *Other Financial Liabilities*

This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Included in this category are notes payable, accounts payable and accrued expenses (excluding payable to government).

Amortized Cost Measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at FVPL are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both specific asset and collective levels. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar credit risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity securities classified as AFS financial assets, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Company uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that these remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original EIR. Impairment losses are recognized in profit and loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss but only to the extent that the resulting carrying amount of the asset after the reversal of impairment loss does not exceed its amortized cost at the reversal date had no impairment loss been recognized.

Impairment losses on AFS financial assets are recognized by transferring the cumulative loss that has been recognized in OCI to profit and loss. The amount transferred is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit and loss. Changes in impairment provisions attributable to time value of money are reflected as a component of interest income.

If in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income and expenses, the impairment loss is reversed to the extent of the carrying amount of the debt instrument had no impairment loss been recognized, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in OCI.

The Company writes off certain loans and advances and securities when these are determined to be uncollectible.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

- (a) the rights to receive cash flows from the assets have expired;
- (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or
- (c) the Company has transferred its right to receive cash flows from the asset and either:
 - (i) has transferred substantially all the risks and rewards of the asset, or
 - (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liability

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

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustments of each of the individual instruments in the portfolio.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Investment in an Associate

An associate pertains 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 recognize 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 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 is shown on the face of OCI 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 Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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 investment in associate and its carrying value, then recognizes the loss as 'share in net income of an associate' in profit or loss.

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 carried at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which these are incurred.

Depreciation and amortization is calculated using the straight-line basis over the estimated useful lives of the property and equipment, as follows:

	<u>Number of Years</u>
Furniture, fixtures and equipment	3 - 5
Leasehold rights and improvements	10 or over the period of the lease, whichever is shorter
Transportation equipment	3 - 5

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

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 profit or loss (see accounting policy on Impairment of Non-financial Assets).

When an item of property and equipment is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in profit or loss.

Investment Properties

Investment properties are land held for capital appreciation or land held for currently undetermined future use. Investment properties are measured at cost, including transactions 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 the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less any 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.

The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for foreclosed assets is calculated on a straight - line basis using a useful life of 15 years.

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 profit or loss in the year of derecognition.

Motorcycle Inventories

The Company recognizes motorcycle inventories at the lower of cost and net realizable value (NRV) 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 cost of motorcycle inventories is determined using specific identification. The excess of the cost over the net realizable value is recognized as a loss from writedown of motorcycle inventories in profit or loss.

Software Costs

Software costs that are not an integral part of the hardware are classified as intangible asset. This is included under "Other assets - net" account in the statement of financial position, which includes costs incurred relative to the development of the Company's software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that its property and equipment, investment properties and other assets may be impaired. When an indicator exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset or cash generating unit's (CGU's) fair value less costs of disposal 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 group 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 against 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 profit or loss. 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 'Additional paid-in capital' account.

Retained Earnings

Retained earnings represent accumulated profits or losses of the Company, net of dividend distributions if any, to stockholders and other capital adjustments.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity once approved by the Board of Directors (BOD). Stock dividends are recognized as addition to capital stock once approved by the BOD and stockholders. Dividends approved after the reporting date are treated as an event after the reporting date.

Foreign Currency Transactions and Translation

Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing Philippine Dealing & Exchange Corp (PDEX) closing rate at the reporting date while foreign-currency denominated income and expenses are translated into Philippine peso based on the weighted average rate at transaction dates. Foreign exchange gains or losses arising from such transactions, including restatements of foreign-currency denominated assets and liabilities are charged against current operations.

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 give 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 profit or loss on a straight-line basis over the lease term.

Company as Lessor

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments received are recognized as an income in the statement of income on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Employee Benefits

Defined Benefit Plan

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets, if there is any.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in compensation and fringe benefits in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss at the earlier of the following:

- when the related restructuring costs are recognized;
- when the related termination benefits are recognized; and
- when the plan amendment or curtailment occurs.

The Company recognized gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when the same accrues to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs

Borrowing costs consist of interest which the Company incurs in connection to borrowing of funds. These are recognized in profit or loss in the year in which the costs are incurred.

Income Taxes

Income tax expense comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes, the carry-forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The amount of deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when these reverse, based on the tax rates enacted at or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation 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 assessments 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 an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recorded as a separate asset only when the reimbursement is virtually certain.

Contingent Assets and Contingent Liabilities

Contingent assets are not recognized in the statement of financial position but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the statement of financial position but are disclosed in the notes to the financial statements unless the possibility of an outflow of assets embodying economic benefits is remote.

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.

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 7.

Events After the Reporting Date

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

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. However, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Company are set out below.

To be Adopted on January 1, 2015

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

▪ *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles*

Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:

- *Definition of 'related party' (Amendment to PAS 24)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.
- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

To be Adopted on January 1, 2016

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*.

The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

▪ *Equity Method in Separate Financial Statements (Amendments to PAS 27).*

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

▪ *Annual Improvements to PFRSs 2012 - 2014 Cycle.*

This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

• *Changes in method for disposal (Amendment to PFRS 5).* PFRS 5 is amended to clarify that:

- if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

The amendment to PFRS 5 is applied prospectively in accordance with PAS 8 to changes in methods of disposal that occur on or after January 1, 2016.

- *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.

The amendment to PFRS 7 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

- *'Continuing involvement' for servicing contracts (Amendment to PFRS 7)*. PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

The amendment to PFRS 7 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, except that the PFRS 7 amendment relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies this amendment.

- *Disclosure of information "elsewhere in the interim financial report" (Amendment to PAS 34)*. PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross reference are not made available to users of the interim financial statements on the same terms and at the same time.

The amendment to PAS 34 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

To be Adopted January 1, 2018

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRSs 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 these 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 23).

Estimates

(a) Impairment of Loans and Other Receivables

The Company reviews its loans and other receivables at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposure which, although not specifically identified as requiring a specific allowance, has a greater risk of default than when originally granted. This takes into consideration the length of relationship with the counterparty, credit status of counterparty based on third party reports, and historical experience.

The Company management assessed that provision for impairment loss is necessary for its loans and receivables as of December 31, 2014 and 2013.

(b) *Impairment of AFS Equity Investment*

The Company treats any 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.

For 2014, no impairment loss was recognized for AFS equity investments. For 2013 a provision amounting to P10,000 was recorded in the statement of comprehensive income.

(c) *Impairment of Property and Equipment, Investment Properties, Investment in an Associate 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 investment in an associate, property and equipment, investment properties and software costs are disclosed in Notes 10, 11, 12 and 13.

(d) *Writedown of Motorcycle Inventories to NRV*

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 13.

(e) *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 20.

(f) *Estimating Useful Lives of Property and Equipment 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 3.

(g) *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 18.

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 18.

(h) *Provisions and Contingencies*

The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

5. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of its financial instruments are as follows:

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

The carrying value of loans and receivables approximates the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

AFS Financial Assets

This is carried at cost less any allowance for impairment losses due to lack of other suitable method to arrive at a reliable measure of fair value.

Notes Payable

The carrying amounts of notes payable approximate fair values as the interest rates 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.

In 2014 and 2013, there were no transfers of financial instruments between Levels 1, 2 and 3. No instruments were measured based on Level 3.

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

6. Financial Risk Management Objectives and Policies

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

	2014			2013		
	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	P741,387,854	P712,873,125	P28,514,729	P900,377,609	P855,678,405	P44,699,204
Services	102,295,193	2,041,589	100,253,604	78,145,735	-	78,145,735
Construction	1,199,301	-	1,199,301	4,929,112	-	4,929,112
Manufacturing	-	-	-	723,717	-	723,717
	P844,882,348	P714,914,714	P 129,967,634	P984,176,173	P855,678,405	P128,497,768

The carrying values of cash on hand and in banks and prepaid expenses represent the 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).

	2014					Total
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	
	High Grade	Medium Grade	Low Grade			
Loans and other receivables						
Cash in banks	P45,147,929	P -	P -	P -	P -	P45,147,929
Receivable from customers:						
Consumer	545,539,655	-	11,648,195	369,810,986	145,870,068	1,072,868,904
Services	-	-	136,745,990	8,541,531	7,420,535	152,708,056
Construction	-	-	2,041,589	-	-	2,041,589
Manufacturing	-	-	-	-	-	-
Other receivables	-	-	13,099,048	-	-	13,099,048
Other assets*	-	-	80,000	-	-	80,000
	P590,687,584	P -	P163,614,822	P378,352,517	P153,290,603	P1,285,945,526

*Includes investments in Golf shares

	2013					Total
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	
	High Grade	Medium Grade	Low Grade			
Loans and other receivables						
Cash in banks	P36,305,836	P -	P -	P -	P -	P36,305,836
Receivable from customers:						
Consumer	781,268,139	-	24,275,459	414,177,847	98,846,817	1,318,568,262
Services	-	-	94,413,065	20,914,828	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
Other assets*	-	-	80,000	-	-	80,000
	P817,573,975	P -	P148,166,549	P435,092,675	P105,288,377	P1,506,121,576

*Includes investments in Golf shares

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:

2014						
	<30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total
Consumer	P131,591,357	P73,943,815	P55,498,381	P -	P108,777,433	P369,810,986
Services	6,973,276	801,213	767,042	-	-	8,541,531
	P138,564,633	P74,745,028	P56,265,423	P -	P108,777,433	P378,352,517

2013						
	<30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total
Consumer	P166,702,431	P93,662,717	P53,239,031	P39,300,744	P61,272,924	P414,177,847
Services	18,641,876	1,316,875	956,077	-	-	20,914,828
	P185,344,307	P94,979,592	P54,195,108	P39,300,744	P61,272,924	P435,092,675

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

	Carrying amount	Contractual Maturities					Total
		2014					
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
Financial Assets							
Cash on hand and in banks	P46,375,048	P46,375,048	P -	P -	P -	P -	P46,375,048
Loans and other receivables							
Receivable from customers:							
Consumer	729,245,200	267,687,700	137,172,276	240,853,728	427,155,200	-	1,072,868,904
Services	102,295,193	94,466,182	12,894,867	20,181,276	22,625,441	2,540,291	152,708,057
Construction	1,199,301	2,041,589	-	-	-	-	2,041,589
Manufacturing	-	-	-	-	-	-	-
Other receivables	12,142,653	4,838,388	6,739,561	700,960	537,610	282,528	13,099,047
	P891,257,395	P415,408,907	P156,806,704	P261,735,964	P450,318,251	P2,822,819	P1,287,092,645
Financial Liabilities							
Notes payable	P828,082,702	P152,266,905	P174,068,726	P496,956,162	P4,790,909	P -	P828,082,702
Accounts payable	21,860,364	21,860,364	-	-	-	-	21,860,364
Accrued interest	13,239,361	13,239,361	-	-	-	-	13,239,361
	P863,182,427	P187,366,630	P174,068,726	P496,956,162	P4,790,909	P -	P863,182,427
Net liquidity gap	P28,074,968	P228,042,277	(P17,262,022)	(P235,220,198)	P445,527,342	P2,822,819	P423,910,218

	Carrying amount	Contractual Maturities					Total
		2013					
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
Financial Assets							
Cash on hand and in banks	P47,982,524	P47,982,524	P -	P -	P -	P -	P47,982,524
Loans and other receivables							
Receivable from customers:							
Consumer	879,173,088	233,676,876	144,097,106	267,638,944	672,981,423	173,913	1,318,568,262
Services	76,177,343	49,143,860	17,792,007	14,212,109	39,672,476	-	120,820,453
Construction	6,459,840	586,799	586,799	1,173,598	4,694,393	-	7,041,589
Manufacturing	1,033,881	895,929	137,952	-	-	-	1,033,881
Other receivables	21,332,021	15,089,100	652,951	1,305,901	5,223,604	-	22,271,555
	P1,032,158,697	P347,375,088	P163,266,815	P284,330,552	P722,571,896	P173,913	P1,517,718,264
Financial Liabilities							
Notes payable	P891,328,351	P61,768,335	P174,109,068	P548,688,827	P106,762,121	P -	P891,328,351
Accounts payable	48,096,121	48,096,121	-	-	-	-	48,096,121
Accrued interest	395,096	395,096	-	-	-	-	395,096
	P939,819,568	P110,259,552	P174,109,068	P548,688,827	P106,762,121	P -	P939,819,568
Net liquidity gap	P92,339,129	P237,115,536	(P10,842,253)	(P264,358,275)	P615,809,775	P173,913	P577,898,696

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.

Sensitivity of Net Interest Income

A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

7. 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.

	2014				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	P77,834,119	P75,736,750	P1,040,772,261	P20,448,448	P1,214,791,578
Results of operation					
Revenues					
Interest income	P21,455,935	P5,403,389	P189,802,656	P3,531,643	P220,193,623
Other income	1,785,593	5,167,238	8,013,224	40,172,568	55,138,623
	23,241,528	10,570,627	197,815,880	43,704,211	275,332,246
Expenses					
Interest expense	3,454,546	2,731,296	43,538,099	847,295	50,571,236
Provision for credit losses	4,074,910	260,540	13,108,119	-	17,443,569
Operating expenses	7,094,236	1,398,226	157,634,099	786,160	166,912,721
	14,623,692	4,390,062	214,280,317	1,633,455	234,927,526
Net operating income	8,617,836	6,180,565	(16,464,437)	42,070,756	40,404,720
Less provision for income tax	2,585,351	1,854,169	(7,284,884)	1,564,905	(1,280,459)
Net income (loss)	P6,032,485	P4,326,396	(P9,179,553)	P40,505,851	P41,685,179
Statement of financial position					
Total assets	P54,149,192	P55,048,544	P942,066,655	P208,903,928	P1,260,168,319
Total liabilities	P36,992,545	P37,606,946	P665,442,330	P140,637,372	P880,679,193
Other segment information					
Capital expenditures	P -	P -	P -	P -	P -
Depreciation and amortization	P6,051	P1,836	P1,252,470	P1,256,787	P2,517,144

	2013				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	P70,928,089	P57,967,833	P1,293,154,644	P23,446,887	P1,445,497,453
Results of operation					
Revenues					
Interest income	P19,702,999	P6,090,386	P169,520,667	P3,293,308	P198,607,360
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	3,688,982	34,787,003	4,876,508	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	91,560,593	35,335,808	130,200,187
	10,564,445	4,974,064	191,327,293	40,212,316	247,078,118
Net operating income	9,713,613	2,315,844	(13,835,989)	24,044,638	22,238,106
Less provision for income tax	2,369,851	549,803	(545,496)	(3,239,981)	(865,823)
Net income (loss)	P7,343,762	P1,766,041	(P13,290,493)	P27,284,619	P23,103,929
Statement of financial position					
Total assets	P43,921,842	P53,669,253	P967,805,138	P227,747,750	P1,293,143,983
Total liabilities	P11,000	P8,000	P51,184,691	P902,462,563	953,666,254
Other segment information					
Capital expenditures	P -	P -	P -	P -	P -
Depreciation and amortization	P10,926	P756	P1,050,698	P2,385,035	P3,447,415
	2012				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	P63,535,968	P90,896,970	P997,246,945	P30,408,919	P1,182,088,802
Results of operation					
Revenues					
Interest income	P15,976,810	P6,944,370	P151,332,062	P2,303,409	P176,556,651
Other income	2,072,860	6,216,754	(28,204,459)	50,483,491	30,568,646
	18,049,670	13,161,124	123,127,603	52,786,900	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	30,294,659	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	(4,649,751)	6,406,638
Net income (loss)	P6,336,659	P7,693,497	(P12,560,417)	P27,141,992	P28,611,731
Statement of financial position					
Total assets	P49,032,972	P65,594,010	P861,432,724	P157,584,198	P1,133,643,904
Total liabilities	P203,664	P76,486	P46,696,598	P768,890,764	P815,867,512
Other segment information					
Capital expenditures	P -	P -	P1,450,103	P1,242,345	P2,692,448
Depreciation and amortization	P71,632	P5,221	P1,558,320	P1,970,123	P3,605,296

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

8. Cash on Hand and in Banks

This account consists of:

	2014	2013
Cash in banks	P45,147,929	P46,904,524
Cash on hand	1,227,119	1,078,000
	P46,375,048	P47,982,524

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.02% to 0.56% and from 0.06% to 0.36% in 2014 and 2013, respectively. Interest income on cash in banks amounted to P0.03 million and P0.04 million in 2014 and 2013, respectively.

9. Loans and Other Receivables

This account consists of:

	<i>Note</i>	2014	2013
Receivable from customers:			
Consumer		P1,072,868,904	P1,318,568,262
Services		152,708,056	120,820,453
Construction		2,041,589	7,041,589
Manufacturing		-	1,033,881
Other receivables	<i>21</i>	13,099,048	22,271,555
		1,240,717,597	1,469,735,740
Unearned interest income		(336,429,699)	(433,996,128)
Client's equity		(22,721,025)	(17,390,350)
Allowance for credit losses		(36,684,525)	(34,173,089)
		P844,882,348	P984,176,173

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

Loans and receivables according to product type:

	Note	2014	2013
Motorcycle financing		P1,040,772,261	P1,293,154,644
Receivables purchased		75,736,750	57,967,833
Rx cash line		77,834,119	70,928,089
Other receivables	21	20,448,448	23,446,887
		1,214,791,578	1,445,497,453
Unearned interest income		(336,429,699)	(433,996,128)
Client's equity		(22,721,025)	(17,390,350)
		855,640,854	994,110,975
Accrued interest receivable		12,826,972	9,017,809
Sales contract receivable		634,231	1,966,731
Advances to officers and employees		646,382	195,224
Due from affiliates	21	101,007	101,007
Miscellaneous receivables		11,717,428	12,957,516
		881,566,873	1,018,349,262
Allowance for credit losses		(36,684,525)	(34,173,089)
		P844,882,348	P984,176,173

Miscellaneous receivables consist of 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 P220.16 million and P198.57 million in 2014 and 2013, respectively.

Movements in allowance for credit losses follow:

	December 31, 2014				
	Receivable from Customers				Total
	Construction	Services	Consumer	Others	
At January 1	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089
Provisions during the year	260,539	4,074,910	13,108,120	-	17,443,569
Recoveries	-	-	18,790,820	-	18,790,820
Write-off	-	(3,874,533)	(29,848,420)	-	(33,722,953)
At December 31	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525
Individually impaired	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525

	December 31, 2013				
	Receivable from Customers				Total
	Construction	Services	Consumer	Others	
At January 1	P -	P3,100,801	P12,061,093	P -	P15,161,894
Provisions during the year	581,749	3,031,882	62,129,606	2,594,271	68,337,508
Write-off	-	(3,356,621)	(44,324,421)	(1,645,271)	(49,326,313)
At December 31	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089
Individually impaired	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089

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

The Company is in compliance with the provisioning requirements set out by R.A. No. 8556.

10. Investment in an Associate

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

	<i>Note</i>	2014	2013
At cost		P75,000,000	P75,000,000
Accumulated equity in net earnings			
Balance at the beginning of the year		75,756,840	67,036,732
Share in net income	<i>21</i>	39,545,382	41,120,108
Dividends	<i>21</i>	(36,000,000)	(32,400,000)
Balance at the end of the year		79,302,222	75,756,840
		P154,302,222	P150,756,840

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

	2014	2013
Total assets	P2,593,557,147	P2,152,846,063
Total liabilities	1,858,696,903	1,501,907,295
	734,860,244	650,938,768
Net unrealized gain on the Company's shares held and classified by AIB as AFS investments	(301,081,875)	(233,630,660)
	433,778,369	417,308,108
Proportion of the Company's ownership	36%	36%
Carrying amount of the investment	P156,160,213	P150,230,919
Income	P290,107,421	P263,712,052
Expenses	158,294,228	127,455,041
Income before income tax	131,813,193	136,257,011
Provision for income tax	21,964,909	22,034,489
Net income	P109,848,284	P114,222,522
Share in net income	P39,545,382	P41,120,108

11. Property and Equipment

The rollforward analysis of this account follows:

	2014			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
Cost				
At January 1	P7,825,361	P1,272,097	P7,853,877	P16,951,335
Additions	1,854,388	111,140	1,200,000	3,165,528
Disposals	-	-	(4,403,578)	(4,403,578)
At December 31	9,679,749	1,383,237	4,650,299	15,713,285
Accumulated Depreciation and Amortization				
At January 1	5,749,783	516,418	4,679,074	10,945,275
Depreciation and amortization	1,598,598	178,541	740,005	2,517,144
Disposals	-	-	(3,300,232)	(3,300,232)
At December 31	7,348,381	694,959	2,118,847	10,162,187
Carrying Amount	P2,331,368	P688,278	P2,531,452	P5,551,098
	2013			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
Cost				
At January 1	P6,414,913	P873,326	P15,359,925	P22,648,164
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
Carrying Amount	P2,075,578	P755,679	P3,174,803	P6,006,060

Motorcycle inventory is transferred to transportation equipment when these are used in the business operations by the employees. The transportation equipment is valued at the inventory's carrying amount. In 2014 and 2013, the Company transferred motorcycle inventories amounting to P0.80 million and P2.00 million, respectively (shown as additions).

As of December 31, 2014 and 2013, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P0.62 million and P2.81 million.

12. Investment Properties

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

	2014	2013
Cost	P3,544,001	P3,544,001
Allowance for impairment losses		
Balance at beginning of the year	(939,533)	(1,019,533)
Reversal of impairment	-	80,000
Balance at end of the year	(939,533)	(939,533)
	P2,604,468	P2,604,468

The aggregate fair value of the investment properties of the Company amounted to P4.33 million and P3.54 million as of December 31, 2014 and 2013. No sale of investment property occurred in 2014 and 2013. 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 2 hierarchy.

13. Other Assets - net

This account consists of:

	2014	2013
Motorcycle inventories	P182,720,097	P86,203,759
Prepaid expenses	976,195	1,137,384
Software costs	701,548	670,204
Available for sale investments	80,000	80,000
	P184,477,840	P88,091,347

Motorcycle inventories pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from write-down of motorcycle inventories included in profit or loss amounted to P37.49 million and P15.22 million in 2014 and 2013, respectively.

The movements in software costs follow:

	2014	2013
Cost		
At January 1	P3,963,146	P3,625,846
Additions	398,990	337,300
At December 31	4,362,136	3,963,146
Accumulated Amortization		
At January 1	3,292,942	2,583,841
Amortization for the year	367,646	709,101
Accumulated amortization	3,660,588	3,292,942
At December 31	P701,548	P670,204

14. Notes Payable

This account consists of:

	<i>Note</i>	2014	2013
Related parties	21	P722,375,896	P756,249,786
Individuals		4,282,563	3,316,444
Banks		101,424,243	131,762,121
		P828,082,702	P891,328,351

Interest rates from borrowings range from 4.00% to 6.00% and from 5.00% to 6.00% per annum in 2014 and 2013, respectively.

Interest expense on these notes payable amounted to P50.57 million and P48.54 million, in 2014 and 2013, respectively.

Notes payable to individuals and banks are unsecured, with maturity of up to three years.

15. Accrued Expenses

This account consists of:

	<i>Note</i>	2014	2013
Accrued interest	21	P13,239,361	P395,096
Accrued administrative expenses		8,535,017	3,878,306
Accrued management and professional fees		2,039,042	1,023,650
Accrued taxes		1,853,130	5,243,208
Accrued insurance payable		462,397	470,712
Accrued occupancy costs		-	65,788
Others		1,104,039	566,855
		P27,232,986	P11,643,615

Others include accrual on SSS, Pag-ibig and Philhealth payable.

16. 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.

	2014			2013		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash on hand and in banks	P46,375,048	P -	P46,375,048	P47,982,524	P -	P47,982,524
Loans and other receivables - gross	787,576,527	453,141,070	1,240,717,597	746,989,931	722,745,809	1,469,735,740
Investment in an associate	-	154,302,222	154,302,222	-	150,756,840	150,756,840
Other investments - gross	-	-	-	-	250,000	250,000
	833,951,575	607,443,292	1,441,394,867	794,972,455	873,752,649	1,668,725,104
Nonfinancial Assets						
Property and equipment	-	5,551,098	5,551,098	-	6,006,060	6,006,060
Investment properties - gross	-	3,544,001	3,544,001	-	3,544,001	3,544,001
Deferred tax assets	-	21,312,700	21,312,700	-	13,381,786	13,381,786
Retirement asset	-	662,595	662,595	-	144,784	144,784
Other assets	183,776,292	701,548	184,477,840	87,241,143	770,204	88,011,347
	183,776,292	31,771,942	215,548,234	87,241,143	23,846,835	111,087,978
Less: Allowance for credit and impairment losses	-	(37,624,058)	(37,624,058)	-	(35,282,622)	(35,282,622)
Unearned interest income	(34,318,097)	(302,111,602)	(336,429,699)	(208,965,205)	(225,030,923)	(433,996,128)
Client's equity	(22,721,025)	-	(22,721,025)	(17,390,350)	-	(17,390,350)
	(57,039,122)	(339,735,660)	(396,774,782)	(226,355,555)	(260,313,545)	(486,669,100)
	P960,688,745	P299,479,574	P1,260,168,319	P655,858,043	P637,285,939	P1,293,143,982
Financial Liabilities						
Notes payable	P823,291,793	P4,790,909	P828,082,702	P784,566,230	P106,762,121	P891,328,351
Accounts payable	21,860,364	-	21,860,364	48,096,121	-	48,096,121
Accrued interest	13,239,361	-	13,239,361	395,096	-	395,096
	858,391,518	4,790,909	863,182,427	833,057,447	106,762,121	939,819,568
Nonfinancial Liabilities						
Accrued expenses	13,993,625	-	13,993,625	11,248,519	-	11,248,519
Income tax payable	3,443,187	-	3,443,187	2,651,231	-	2,651,231
	17,436,812	-	17,436,812	13,899,750	-	13,899,750
	P875,828,330	P4,790,909	P880,619,239	P846,957,197	P106,762,121	P953,719,318

17. Equity

On July 31, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the amount of P3,465,553 to stockholders of record as of August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash dividends amounting to P3,465,588. Fractional shares related to this declaration were settled in cash amounting to P36.00.

On July 25, 2013, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of P2,445,209 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 P2,445,298. Fractional shares related to this declaration were settled in cash amounting to P89.00.

On June 28, 2012, the BOD and stockholders approved the declaration of 1.06% stock dividends in the amount of P2,074,121 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 P2,074,158. Fractional shares related to this declaration were settled in cash amounting to P37.00.

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 P1.38 per share.

As of December 31, 2014, the Company has 203,312,773 common shares issued and outstanding which were owned by 103 shareholders.

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

	2014		2013		2012	
	Number of Shares	Amount	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	199,847,220	P199,847,220	197,402,011	P197,402,011	195,327,890	P195,327,890
Stock dividends	3,465,553	3,465,553	2,445,209	2,445,209	2,074,121	2,074,121
At December 31	203,312,773	P203,312,773	199,847,220	P199,847,220	197,402,011	P197,402,011

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 in 2014.

Under R.A. No. 8556, Financing Company Act, the Company is required to maintain the following capital requirements:

- (a) minimum paid-up capital of P10.00 million; and
- (b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2014 and 2013, the Company was in compliance with the minimum paid-up capital.

The Company is compliant with the minimum public float of 10% that is required by the Philippine Stock Exchange, Inc. where the Company's shares are traded.

The Company's retained earnings representing the accumulated share in the net income of an associate amounting to P79.30 million and P75.76 million as of December 31, 2014 and 2013, respectively, is not available for declaration as dividends.

18. 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 Company is subject to the minimum retirement benefit under the R.A. 7641 “*The Philippine Retirement Law*”, which provides for retirement pay to qualified employees in the absence of any retirement plan. R.A. 7641 requires the Company to provide minimum retirement benefits to employees who have reached the age of sixty (60) years or more, but not beyond sixty-five (65) years which is considered as the compulsory retirement age, and who have served at least five (5) years in the Company.

The plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to one hundred percent (100%) of the latest monthly salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. Normal retirement age is at age 60.

Net benefit cost is included in the Company’s profit and loss under ‘Salaries and employee benefits’.

The amounts of retirement benefit reserve recognized in the statement of comprehensive income are as follows:

	2014	2013
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	P1,894,141	P2,085,884
Net interest expense:		
Interest expense	344,590	269,439
Interest income on plan assets	(354,417)	(304,142)
Interest expense in asset ceiling	589	415
	1,884,903	2,051,596
Components of retirement benefit liability recorded in OCI		
Remeasurement gain on defined benefits obligation	(2,603,678)	(1,364,016)
Remeasurement loss on plan assets	181,039	176,786
Remeasurement loss on plan changes in asset ceiling	19,925	2,029
	(2,402,714)	(1,185,201)
Total components of retirement benefit liability (asset)	(P517,811)	P866,395

The net retirement benefit asset recognized as “Retirement asset - net” in the statements of financial position follows:

	2014	2013
Present value of retirement benefits obligation	P5,036,157	P5,401,104
Fair value of plan assets	(5,728,503)	(5,555,125)
Effect of asset ceiling	29,751	9,237
Net defined benefit asset	(P662,595)	(P144,784)

The movements of the present value of retirement benefits obligation of the Company follow:

	2014	2013
Balance at beginning of year	P5,401,104	P4,409,797
Current service cost	344,590	2,085,884
Interest expense	1,894,141	269,439
Benefits paid	-	-
Remeasurement (gains) losses on obligation arising from:		
Change in financial assumptions	(708,045)	(191,633)
Change in demographic assumptions	-	-
Experience adjustment	(1,895,633)	(1,172,383)
Balance at end of year	P5,036,157	P5,401,104

The movements of the fair value of plan assets of the Company follow:

	2014	2013
Balance at beginning of year	P5,555,125	4,527,769
Interest income	354,417	304,142
Contribution paid by the Company	-	900,000
Benefits paid	-	-
Remeasurement loss on plan assets	(181,039)	(176,786)
Balance at end of year	P5,728,503	P5,555,125

The changes in the effect of asset ceiling are as follows:

	2014	2013
Balance at beginning of year	P9,237	P6,793
Remeasurement loss on the change in the effect of asset ceiling	19,925	2,029
Interest expense on effect of asset ceiling	589	415
Balance at end of year	P29,751	P9,237

Changes in the net retirement assets are as follows:

	2014	2013
Balance at beginning of year	P144,784	P111,179
Current service cost	(1,894,141)	(2,085,884)
Net interest cost on the retirement liability	9,827	34,703
Return on plan assets	(181,039)	(176,786)
Actuarial losses on retirement liability arising from:		
Experience adjustment	1,895,633	1,172,383
Changes in assumptions	708,045	191,633
Changes in the effect of asset ceiling	(20,514)	(2,444)
Contribution by employer	-	900,000
Balance at end of year	P662,595	P144,784

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 class as at the end of the reporting period are as follow:

	2014	2013
Cash and cash equivalents	P1,054,331	P887,748
Available-for-sale investments	4,674,172	4,656,204
Accrued and other receivables	-	11,173
	P5,728,503	P5,555,125

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

In 2014 and 2013, 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	
	2014	2013
Discount rate	4.49%	6.38%
Future salary increases	5.00%	8.00%
Average remaining working life (in years)	30.0	30.2

Assumptions for mortality and disability rate are based on the adjusted 1994 Group Annuity Mortality Table in which separate rates were used for males and females and the 1952 Disability Study of the US Society for Actuaries adjusted to suit local experience.

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	(P641,734)
	-1 basis point	753,702
Salary increase rates	+1 basis point	679,233
	-1 basis point	(595,005)

The Company expects to contribute P1.2 million to the defined benefit plan in 2015.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due.

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 16.9 years.

19. Miscellaneous

Miscellaneous income consists of the following items:

	2014	2013	2012
Penalties	P10,402,716	P9,809,440	P5,771,692
Recoveries	3,190,667	6,420,110	3,678,425
Miscellaneous	71,297	790,930	1,993,086
	P13,664,680	P17,020,480	P11,443,203

Miscellaneous expenses consist of the following items:

	2014	2013	2012
Stationeries and supplies	P3,898,197	P3,330,094	P2,229,703
Insurance	2,056,586	213,468	927,879
Communication	2,160,189	1,599,054	1,778,870
Meetings and conferences	370,938	237,105	158,821
Repairs and maintenance	336,891	963,668	83,218
Training and development	175,990	121,756	215,905
Miscellaneous	665,876	5,557,123	13,362,707
	P9,664,667	P12,022,268	P18,757,103

Miscellaneous expenses include advertising costs, donations, membership dues and other expenses.

20. Income Taxes

	2014	2013
Current:		
RCIT	P 7,148,309	P4,455,659
Deferred	(8,428,768)	(5,321,482)
	(P1,280,459)	(P865,823)

The components of deferred tax assets follow:

	2014	2013
Deferred tax assets on:		
Allowance for impairment and credit losses	P11,005,357	P13,834,695
Inventory write-down of motorcycle	11,246,415	-
Retirement liability	-	-
Past service cost	143,582	175,326
	22,395,354	14,010,021
Deferred tax liabilities on:		
Remeasurement gain on retirement asset	1,082,654	584,800
Retirement asset	-	43,435
	P21,312,700	P13,381,786

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

	2014	2013
Income before income tax	P40,404,720	P22,238,106
Income tax computed at statutory rate (30%)	P12,121,416	P6,671,432
Additions to (reduction in) income tax resulting from the tax effects of:		
Tax exempt income and nontaxable income	(11,863,615)	(16,004,837)
Non-deductible interest expense	4,085	784,212
Nondeductible expense	-	6,754,843
Interest income subjected to final tax and dividend income	(9,903)	(11,760)
Others	(1,532,442)	940,287
Effective income tax expense	(P1,280,459)	(P865,823)

As at December 31, 2013, the Company did not recognize deferred tax asset on allowance for credit losses and unrealized loss on inventory write-down amounting to P19.26 million and P4.95 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.

R.A. 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 P1.74 million and P1.97 million in 2014 and 2013, respectively.

21. 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:

Category	Outstanding balances/Amount/Volume		Nature, Terms and Condition
	2014	2013	
<i>Parent Company</i>			
<i>Amalgamated Investment Bancorporation</i>			
Other receivables	P80,514	P80,514	Adjustment from 2% to 20% expanded withholding tax of AIB; no impairment
Availments	-	-	
Settlements	-	429,901	Payments of EWT of previous year on Company's claim for reimbursement ; no impairment
Notes payable	610,800,000	645,300,000	Unsecured, 1-year interest bearing placement at 6.75% annual interest rate
Availments	38,000,000	168,000,000	
Settlements	72,500,000	35,000,000	Pretermination of notes payable
Interest Expense	28,241,748	33,973,088	Interest payment on notes payable
Share in Net Income of an Associate	39,545,382	41,120,108	Share in income from investee's profit
Dividend received	36,000,000	32,400,000	Cash dividend from AIB
<i>Other Related Parties</i>			
<i>Motor Ace Philippines Inc</i>			
Other receivable	2,151,708	1,207,672	Non-interest bearing, unsecured; no impairment
Availments	1,393,142	645,394	Payment of billing; no impairment
Settlements	449,106	38,900	
Accounts payable	23,875,220	38,508,864	30-day unsecured, non-interest bearing
Availments	364,932,451	396,939,782	Liability representing billings for motorcycle units financed by the Company
Settlements	341,057,231	385,683,955	Payment for billings of financed motorcycle units
<i>Pikeville Bancshares</i>			
Professional fees	1,102,080	1,193,920	Payment of professional fees
<i>MERG Realty Development Corporation</i>			
Accounts receivable	35,835	38,835	
Availments	-	38,835	Availment of comprehensive insurance ; no impairment
Settlements	-	30,643	Payment of insurance billing; no impairment
Interest Expense	2,190,000	2,190,000	Interest payment on notes payable; no impairment

Forward

Category	Outstanding balances/Amount/Volume		
	2014	2013	Nature, Terms and Condition
<i>Directors and other stockholders</i>			
Notes payable	P103,875,896	P94,349,786	Secured, 1-year interest bearing placement at 6.0% annual interest rate
Availments	12,625,000	20,952,889	
Settlements	2,090,343	12,805,530	Pretermination of notes payable
Interest expense	2,555,555	3,629,114	Interest payments for notes payable.
Professional Fees and other Management Fees	3,244,889	4,946,395	Payment of professional fees
<i>Key Management Personnel</i>			
Other Accounts Receivable	-	3,571,954	
Availments	-	4,000,000	Secured, interest-bearing; no impairment
Settlements	3,571,954	664,078	Payment of receivable; no impairment
Interest Expense	-	571,162	Interest payment on notes payable

Borrowings availed from related parties amounted to P722.38 million and P756.25 million in 2014 and 2013, respectively. Settlement from borrowings amounted to P86.69 million and P145.35 million in 2014 and 2013, respectively. Interest rates from borrowings range from 5.70% to 6.00% and from 5.44% to 7.75% in 2014 and 2013, respectively. Borrowings from related parties are unsecured and to be settled in cash.

As of December 31, 2014 and 2013, notes payable and accrued interest payable arising from borrowings through other stockholders amounted to P610.80 million and P645.30 million, respectively, and P8.79 million and nil, respectively. Interest expense from these borrowings amounted to P28.24 million and P33.97 million in 2014 and 2013, respectively.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to P7.2 million and P4.40 million in 2014 and 2013, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in profit or loss.

22. Earnings Per Share

EPS amounts were calculated as follows:

	2014	2013
a. Net income	P41,685,179	P23,103,929
b. Weighted average number of outstanding common shares	203,312,773	203,312,773
c. Basic/diluted earnings per share (a/b)	P0.21	P0.11

The weighted average number of outstanding common shares in 2014 and 2013 was recomputed after giving retroactive effect to stock dividends declared on July 31, 2014, July 25, 2013 and June 28, 2012, however, the impact to the EPS was immaterial (see Note 17).

23. Lease Commitment

The Company leases its office space for a period of one (1) year under a lease contract expiring on February 15, 2015. Total rent expense included under 'Occupancy cost' account in the statement of comprehensive income, incurred in 2014 and 2013 amounted to P1.27 million and P0.89 million, respectively. The lease contract is renewable annually upon agreement of the lessor and the Company.

As of December 31, 2014 and 2013, minimum lease payments due within one year from reporting date amounted to P1.46 million and P0.89 million, respectively.

24. Reclassification

Certain accounts in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 financial statements' presentation.

Such reclassifications resulted to a more appropriate presentation of accounts and did not have any impact to profit or loss in 2013 and 2014.

25. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information required for the taxable year ended December 31, 2014 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and licenses' account in the Company's statement of comprehensive income. Details for year 2014 consist of the following:

Gross receipts tax	P11,591,328
Documentary stamp tax on loan instruments	3,661,270
License and permit fees	835,890
	P16,088,488

As of December 31, 2014, accrued GRT and DST amounted to P0.65 million and P0.18 million.

B. Withholding taxes

Details of the withholding taxes as of December 31, 2014 follow:

Expanded withholding taxes	P8,968,502
Withholding taxes on compensation and benefits	5,009,415
	P13,977,917

C. Tax Cases

As at December 31, 2014, the Company has no pending tax court cases.



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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated April 8, 2015.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate
- Schedule of Financial Soundness Indicators
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.


CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

SEC Accreditation No. 1055-A, Group A, valid until April 30, 2015

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 4748098MC

Issued January 5, 2015 at Makati City

MAKATI FINANCE CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts		✓	
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements		✓	
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards		✓		
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'		✓	
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40		✓	
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
<i>*These standards will be effective subsequent to January 1, 2014 and were not adopted early by the Company.</i>				