COVER SHEET

		2	8	7	8	8			

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

2ND Floor, Makati Finance Center 7823 Makati AVe., Makati City

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

CYNTHIA M. GACAYAN

Contact Person

897-0749

Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

2014

SEC Form 17-Q

FORM TYPE

Secondary License Type, If Applicable

0	7		3	1

Month *Day*

Annual Meeting

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

2. Commission identification number **28788**

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

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

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

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

    Yes [X] No [ ]

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

    PHILIPPINE STOCK EXCHANGE — Common Stock

12. Indicate by check mark whether the registrant:

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

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

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

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

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

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

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

Results of Operations/Material Changes in Financial Statement Accounts

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

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

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

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

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

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

Date ......May 12, 2014

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

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

Date ....May 12, 2014

ANNEX A

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

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

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

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

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

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

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

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

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

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

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

1. General Information

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Presentation of Financial Statements

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

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

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

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

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

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

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

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

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AFS investments

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

Investment in an Associate

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

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

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

Foreclosed properties are classified under investment properties on foreclosure date.

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

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

Motorcycle Inventories

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

Software Costs

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Provisions

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

Contingent Liabilities and Contingent Assets

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

Earnings Per Share

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

Events after Reporting Date

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

Segment Reporting

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

New Standards and Interpretations

Future Changes in Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

Judgments

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

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

Estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Fair Value Measurement

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

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

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

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

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

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

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

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

5. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

	2013			2012		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and other receivables						
Receivable from customers:						
Consumer	**₱900,377,609**	**₱855,678,405**	**₱44,699,204**	₱711,150,138	₱629,393,796	₱51,756,342
Services	**78,145,735**		**78,145,735**	84,939,107		84,939,107
Construction	**4,929,112**		**4,929,112**	15,153,399		15,153,399
Manufacturing	**723,717**	**–**	**723,717**	4,843,053		4,843,054
	₱984,176,173	**₱855,678,405**	**₱128,497,768**	₱816,085,697	₱659,393,795	₱156,691,905

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

The tables below show a comparison of the credit quality of the Company's financial assets (gross of unearned interest income, client's equity and allowance for impairment losses) as of December 31:

2013

	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Available-for-sale investments	**₱**	**₱–**	**₱–**	**₱–**	**₱250,000**	**₱250,000**
Loans and other receivables						
Cash in banks	**46,904,524**	**–**	**–**	**–**	**–**	**46,904,524**
Receivable from customers:						
Consumer	**781,2268,139**	**–**	**24,275,459**	**1,138,160**	**511,886,505**	**1,318,568,263**
Services	**–**		**94,413,066**	**20,914,827**	**5,492,560**	**120,820,453**
Construction	**–**	**-**	**7,041,589**		**–**	**7,041,589**
Manufacturing	**–**	**-**	**1,033,881**	**–**	**–**	**1,033,881**
Other receivables		**–**	**21,322,555**	**–**	**949,000**	**22,271,555**
	₱828,172,663	**₱**	**148,086,550–**	**₱22,052,987**	**₱518,578,065**	**1,516,890,265**

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

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

Loans and other receivables

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

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

	December 31, 2013					
	<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Consumer	**₱**	**₱**	**₱1,138,160**	**₱**	**₱**	**₱1,138,160**
Services	**18,641,875**	**1,316,875**	**956,077**			**20,914,827**
	₱18,641,875	**₱1,316,875**	**₱2,094,237**	**₱**	**₱**	**₱22,052,987**

	December 31, 2012					
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	₱137,427,176	₱66,316,018	₱43,939,539	₱24,019,136	₱38,061,088	₱309,762,957
Services	5,003,261		486,129	524,219	457,500	6,471,109
Construction	–	–	–	–	7,463,267	7,463,267
	₱142,430,437	₱66,316,018	₱44,425,668	₱24,543,355	₱45,981,855	₱323,697,333

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

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

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

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

	2013					
	Up to 3 months	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 years**	**More than 3 years**	**Total**
Financial assets						
Loans and other receivables						
Cash in banks	**₱47,982,524**	**₱–**	**₱–**	**₱–**	**₱–**	**₱47,982,524**
Receivable from customers:						
Consumer	**233,676,876**	**144,097,106**	**267,638,944**	**672,981,423**	**176,913**	**1,318,571,262**
Services	**49,143,860**	**17,792,007**	**14,212,109**	**39,672,476**		**120,820,453**
Construction	**586,799**	**586,799**	**1,173,598**	**4,694,393**		**7,041,589**
Manufacturing	**895,929**	**137,952**			**–**	**1,033,881**
Other receivables	**15,089,100**	**652,951**	**1,305,901**	**5,223,604**	**–**	**22,271,555**

	₱347,375,088	₱163,266,815	₱284,330,552	₱722,571,896	₱173,913	₱1,517,721,265
Financial liabilities						
Notes payable	₱61,768,335	₱ 174,109,068	₱548,688,827	₱106,762,121	₱–	₱ 891,328,351
Accounts payable	48,096,121	–	–	–	–	48,096,121
Accrued interest	395,096	–	–	–	–	395,096
	₱110,259,552	₱174,109,068	₱548,688,827	₱106,762,121	₱–	₱939,819,568

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

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

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

1. Receivables

Receivables consist of:

	Mar-14	Dec-13
Loans receivable	1,477,879,296	1,447,464,185
Others	10,292,040	22,271,555
	1,488,171,336	1,469,735,740
Unearned interest income/discount	-459,729,103	-433,996,128
Client's equity		-17,390,350
Allowance for credit losses	-39,171,281	-34,173,089
	989,270,952	984,176,173

Property and Equipment

The movements of property and equipment during the year follow:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance, January 1, 2014	7,825,361	1,272,097	7,853,877	16,951,335
Additions	566,295			566,295
Balance, Mar 31, 2014	8,391,656	1,272,097	7,853,877	17,517,630
Accumulated Depreciation and Amortization				

Balance, January 1, 2014	5,749,783	516,418	4,679,074	10,945,275
Depreciation and amortization	374,529	41,159	515,340	931,028
Balance, Mar 31, 2014	6,124,312	557,577	5,194,414	11,876,303
Net Book Value				
Mar 31, 2014	**2,267,344**	**714,520**	**2,659,463**	**5,641,327**
Dec. 31, 2013(Audited)	**2,075,578**	**755,679**	**3,174,803**	**6,006,060**

2. Other Assets

This account consists of:

	Mar-14	Dec-13
Computer Software	488,087	670,204
Prepaid Expenses	2,338,938	1,137,384
Motorcycle Inventories	79,043,703	86,203,759
Miscellaneous	384,945	
	82,255,673	88,011,347

3. Investment in an Associate

As of March 31, 2014 and December 31, 2013, investments in associate pertains to investments in 36% shares of stock of AIB

Acquisition costs	₱75,000,000
Accumulated equity in net earnings	75,756,840
	₱150,756,840

4. Notes Payable

This represents short-term loans from the banks and Company's stockholders. Interest rates from borrowings range 5% to 6% per annum in 2013 and from 5.44% to 7.75% 2011.

5. Stockholders' Equity

On July 25, 2013, the BOD and stockholders approved the declaration of 1.2387177150% stock dividends in the maximum amount of ₱2,445,253.68 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,445,253.68. Fractional shares related to this declaration were settled in cash.

On June 28, 2012, the BOD and stockholders approved the declaration of 1.06% stock dividends in the amount of ₱2,074,121 to stockholders of record as of July 26, 2012 with distribution date not later than August 20, 2012. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,074,158. Fractional shares related to this declaration were settled in cash amounting to ₱37.30.

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

On June 24, 2010, the BOD approved the declaration of 0.84% stock dividends in the amount of P1,612,240 to stockholders of record as of July 19, 2010 with distribution date not later than August 16, 2010. On the same date, the BOD also approved the declaration of cash dividends amounting to P1,612,316. Fractional shares related to this declaration were settled in cash amounting to P76.

On June 4, 2009, the BOD approved the declaration of 0.43% stock dividends in the amount of P819,764 to stockholders of record as of July 2, 2009 with distribution date not later than July 28, 2009. On the same date, the BOD also approved the declaration of cash dividends amounting to P819,716. Fractional shares related to this declaration were settled in cash amounting to P48.00

On June 19, 2008, the BOD approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,257,147. Fractional shares related to this declaration were settled in cash amounting to ₱35.

In 2007, the Company received an additional capital infusion from its stockholders for their subscription of 48,543,689 shares to be issued out of the proposed increase in authorized capital stock from 90 million common shares to 300 million common shares with a par value of ₱1 per share. This was recorded as deposits for future stock subscription in the amount of ₱50.00 million. In addition, the BOD approved the declaration of stock dividends in the maximum of 50,241,970 shares for shareholders as of November 27, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱4. The SEC approved the increase in authorized capital stock on March 6, 2008.

On June 14, 2007, the BOD approved the declarationof cash dividends amounting to ₱2,430,832 and 3.01% stock dividends amounting to ₱2,430,712 in favor of the stockholders of record as of July 12, 2007. In addition, on November 6, 2007, the BOD approved the declaration of 8.28% stock dividends amounting to ₱6,882,103 in favor of the stockholders of record as of November 26, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱41.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED

MARCH 31, 2014

	2014	2013
Solvency and Liquidity Ratios		
Current ratio	109.33%	119.00%
Debt to equity ratio	278.26%	324.71%
Quick ratio	113.33%	108.80%
Profitability Ratios		
Return on assets	1.78%	2.11%
Return on equity	1.33%	9.07%
Net profit margin	41.52%	48.01%
Asset to Equity Ratio	378.26%	424.71%
Interest Rate Coverage Ratio	178.31%	184.43%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.20%	0.00%
Total receivables to total assets	76.28%	81.16%
Total DOSRI receivables to networth	2.24%	5.20%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	0.79%	0.60%
Honda Motor World, Inc.	51.31%	12.00%

AGING OF RECEIVABLES

AS OF MARCH 31, 2014

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS
A. Trade Receivables						
Loans Receivable (Gross PN Value)*						
As to Maturity Date:						
Within 1 year or less	-	-	-	-	-	-
Maturity after 1 year	-	-	-	-	-	-
Loan Receivables	1,374,479,999	24,046,632	14,249,552	9,579,753	13,504,715	42,018,645
SUB-TOTAL	**1,374,480,456**	**24,046,632**	**14,249,552**	**9,579,296**	**13,504,715**	**42,018,645**
Less: Allowance for Doubtful Accounts**						39,171,281
Net Trade Receivables	**1,374,480,456**	**24,046,632**	**14,249,552**	**9,579,296**	**13,504,715**	**2,847,364**

***Gross PN Value=Principal + Unearned Interest & Discount/Clients' Equity**

****Allowance for doubtful accounts is for principal only. (Please see notes on Receivables)**

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS
B. Non-Trade Receivables						
Due from Subsidiaries/Affiliates						
As to Maturity Date:						
Within 1 year or less**		-	-	-	-	-
Maturity after 1 year	10,292,040	-	-	-	-	-
SUB-TOTAL	**10,292,040**	-	-	-	-	-
Less: Allowance for Doubtful Accounts		-	-	-	-	
Net Non-Trade Receivables	**10,292,040**	-	-	-	-	-
NET RECEIVABLES	**1,384,772,496**	**24,046,632**	**14,249,552**	**9,579,296**	**13,504,715**	**2,847,364**