COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

2ND Floor, Makati Finance Bldg 7823 Makati Ave., Makati City

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

MARCOS E. LAROSA
Contact Person

896-0221 / 897- 0749
Company Telephone Number

1	2		3	1
Month			*Day*	

Fiscal Year

2014

SEC Form 17-A
FORM TYPE

Last Thursday of

0	7			
Month			*Day*	

Annual Meeting

Financing
Secondary License Type, If Applicable

CRMD
Dept. Requiring this Doc.

Amended Articles Number/Section

103
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

April 14, 2015

The Markets & Securities Regulation Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention : **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

The Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC 17-A for the year ended 2014.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer / CIO

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

ICTD
SEC Electronic Records Management Division
APR 15 2015
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
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MAKATI FINANCE CORPORATION
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SEC FORM 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended ......**December 31, 2014**....................

2. SEC Identification Number .....**28788**........... 3. BIR Tax Identification No. **000-473-966**

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

5. ......Makati, Philippines......................
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 7823 Makati Avenue, Makati City.............................
Address of principal office

..................1210...................
Postal Code

8. ....(0632).....896-02-21/897-07-49..
Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**203,312,773**

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

Yes [/]   No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange   common stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

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

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

Yes [/] No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Makati Finance Corporation ("MFC" or "The Company") is a company providing quality financial services and advisory to its clients. The Company has been in the financial services sector since 1966, navigated its way out of the Asian Financial Crisis in 1997-1999, and was listed in the PSE following a successful initial public offering (IPO) in 2003. Since listing, MFC has posted net profits and has consistently declared 30% of its net income as dividends every year which is the Company's dividend policy established in 2003. Moving forward, the Company plans to significantly expand its loan portfolio in the next years.

The Company's main product lines are Rx Cashline – loans especially tailored to medical professionals, MFC Factors – a receivables factoring service for SMEs, and MC Financing – loans for motorcycle buyers. These are offered domestically, hence there are no foreign sales. Also, no government approval is needed for these products. The management continues to implement cost-cutting measures and impose higher standards of credit evaluation.

Corporate Mission Statement

The Company believes in reaching its goals by focusing on its mission as follows:

> *"...to become one of the leading financial institutions in the country. Its objective is to become the best rather than the biggest. The Company pursues this objective through the following:*

- *Efficiency in all aspects of operations*
- *Client satisfaction at all levels of service*

- *In-depth market penetration*
- *Creativity in the provision of competent solutions*

In the long run, Makati Finance sees itself as being the finance company known for excellence in financial service in its niche market."

MFC recognizes its role not only as a source of funding for consumers and businesses but as a partner to its clients in the improvement of their livelihood.

History and Background

On February 17, 1966 the Company was incorporated as Makati Investment & Finance Corporation (MIFC) under SEC registration number 28788. MFC's commercial operations started with engaging in stock dealership functions, credit line extensions, and acceptance of private placements.

The Philippine economy was in an upswing during the 1990s. Consequently, the Company focused on the growth and expansion of its operations and lending activities. Under the new management, the Company focused on the growth of its loan portfolio to take advantage of the improving Philippine economy. It was during this time when MFC introduced new products and services as well as established additional credit lines with major commercial banks.

In 2005, MFC ventured into motorcycle financing. Seeing that motorcycle financing is a growth area and a profitable market niche, MFC has put considerable effort in developing its MC Financing business line. As part of its efforts to grow this product, the Company has partnered with two motorcycle dealers located in Alabang and Bacoor and through MFC's business relationship with the two dealers, MFC secured a contract which gives the Company a rights of first refusal over the financing of motorcycle sales for the aforementioned locations. All motorcycle financing applications will first be processed by MFC unless they are rejected by the Company. Rejected applications on the other hand are sent to other finance companies. At the end of 2005, MC Financing accounted for 10.9% of the loan portfolio.

In 2006, the Company expanded its motorcycle financing business. MC Financing loans doubled to ₱ 39.8 million in 2006 from 2005, representing 18.3% of the loan portfolio. In order to grow their MC Financing loan portfolio without investing heavily on capital expenditures, MFC leveraged on the existing plethora of motorcycle outlets and after market parts repair shops to increase the Company's sales point networks.

In 2007, MFC focused on having a balanced loan portfolio in order to diversify its revenue sources. The Company further grew its MC Financing portfolio by 56.8% in 2007. At the end of the year it contributed 26.5% of MFC's entire interest income.

The year 2008 was focused on setting the baseline for its growth. We called this our "Clean Up Year".

Early 2008, MFC encountered unusually higher repossessions of motorcycles they were financing. A review of procedures and process resulted to a subsequent revamp and restructure in the organization, most specially in the MC Financing product line. A re-tooling of manpower resources was also done. Accounts generated and existing in 2007 were reviewed to confirm good quality accounts remain and better control measures put in place to ensure of no repeats in control lapses.

The review likewise steered the direction for the Company to evaluate and implement an automated infra structure specific to its financing activity to ensure better control and monitor of all the accounts it handles. New infrastructure triggered renovation on office premises and other leasehold improvements.

The Company saw 2009 as its take off point for growth. Together with the slowly recovering global and domestic economies, MFC is now back on track with more than double its Net Income Before Tax as compared to that of the year 2008.

The Philippine motorcycle industry is expected to grow in the double digits range. While the improving Philippine economy will increase the purchasing power of the average Filipino, rising gas prices have made purchasing motorcycles the more practical alternative to taking long daily commutes. Motorcycle offer an alternative to public transportation and offer a more cost-effective way for the average Filipino to commute. For the next 5 years, the Company is planning to capitalize on this growth by providing financing services in tandem with the aggressive expansion of its dealer-partners.

In 2010 MFC continued to pursue its aggressive expansion in the motorcycle financing side of the business. The expansion took off in 2009 where we ended the year doing financing transactions on twelve (12) outlets of our dealer-partners. The aggressive thrust in motorcycle financing saw us ending 2010 doing financing leasing sales transactions for twenty eight (28) of our dealer-partners' outlets. As such, volume of motorcycle units financed increased by 84.6%, from 2,713 motorcycle units in 2009 to 5,008 motorcycle units in 2010.

Given the dramatic increase in our volume of transactions for motorcycles financed, portfolio share for motorcycle financing went up from 60% to 78%, or an 18% rise in 2010 versus 2009. Consequently, interest income went up from P69.9M in 2009 to P113.0M in 2010, or a 62% increase. We borrowed funds from financing institutions to support the substantial growth in our volume of amounts financed and consequently interest expense increased by 174 percent or from P11.7M in 2009 to P32.1M in 2010.

As expected in any expansion activity, expenses also dramatically increased. Manpower hirings were timed to allow at least six (6) months on-the-job training for all positions prior to deployment. Office supplies and forms were acquired in bulk to ensure ready and sufficient supply of forms. Advertising and promotion expenses were also higher than normal. All expansion related expenses were incurred without any corresponding income generation. For 2010, expenses went up from P48.4M in 2009 to P71.3M in 2010, or a 47 percent increase.

MFC continues to be on track ending 2010 with Net Income After Tax of P12.4M, a modest 15 percent increase from its 2009 performance.

In 2011, the motorcycle financing side of the business continued to hold the biggest share in the total portfolio of the Company. MFC serviced a total of 30 motorcycle financing outlets by year end.

Taking off from the plans of our dealer-partners, MFC had projected being able to service thirteen (13) additional outlets in 2011. However, a number of adverse tell tale signs and incidents triggered the change in plans. The unrest in the Middle East plus the European & US economic crisis affected the Peso volatility and the job security of our OFWs which constituted a great percentage of our motorcycle financing market. Likewise, minimal government spending stunted economic growth and drastically affected our direct customers. Finally, Luzon experienced the highest number of typhoons and bad weather and this had a direct effect on our marketing efforts and the ability to collect from existing customers. As such, Management, in consultation with our dealer-partners, decided not to proceed with the planned expansion and focus instead with first growing and strengthening the Company's operations and services in existing outlets before embarking on another aggressive expansion.

Despite adversities cited above and stiffer competition encountered, volume of motorcycle units financed increased by 25%, from 5,008 motorcycle units in 2010 to 6,266 motorcycle units in 2011. The past five (5) years saw the steady growth of the motorcycle; industry growing 138% since the year 2007 in terms of the number of units sold. The local motorcycle population is now estimated at 4.5M, with a population of nearly 100 million Filipinos, the density ratio is about 34:1, which means that for every 34 Filipinos, one owns a motorcycle. Compared to Thailand and Vietnam which have a motorcycle density ratio of 3:1 and 4:1 respectively, the potential for growth in the Philippine motorcycle industry in the coming years is quite huge.

MFC continued to be on track ending 2011 with Net income After Tax of P13.8M, a 12% increase from its 2010 performance.

For the next three (3) years, the Company shall continue to explore other financial products and continue to pursue the plan to expand into the savings bank sector. Meanwhile, our thrust is to ensure further growth in our motorcycle financing accounts. MFC also intend to do a modest uptake in the doctor's loan market and continue to maintain a strong quality portfolio in our factoring accounts.

MFC reiterates its commitment to providing a source of funding for consumers and businesses which are considered partners to their improved livelihood.

In 2012, the motorcycle financing side of the business continued to hold the biggest share in the total portfolio of the Company. MFC continued to be on track ending 2012 with Net Income After Tax of P16.2M, 17.3% increase from its 2011 performance.

The year 2012 was a good year for the Philippine economy. The Philippines enjoyed positive assessments and forecasts by global rating agencies and financial services firms, most of them citing governance reforms and their impact on attracting investments and doing business in the country. The Philippines is poised to grab more economic stability and power in 2013 and may join the "tiger economies".

In 2013, the motorcycle financing side of the business continued to hold the biggest share in the total portfolio of the Company. Despite natural disasters, an earthquake of magnitude 7.2 on the Richter scale followed by Super Typhoon Haiyan, broad-based domestic demand drove economic growth in 2013. The Philippines had been named as the Tiger Cub economies and one of Asia's fast growing economy. Gross domestic product (GDP) grew by 7.2% for 2013.

In 2014, the motorcycle financing business still hold the biggest share in total loan portfolio, though it slightly declined from 89.4% in 2013 to 85.7% in 2014 due to the implementation of a stricter credit scoring system to further improve the quality of its accounts. Successive typhoons (Glenda in July, Jose in August and Mario in September), which directly hit the MC trading area also contributed to the decline. RX loan on the other hand increased its share from 4.7% in 2013 to 6.4% in 2014. Also, the share of MFC Factors slightly grew from 4.0% in 2013 to 6.2% in 2014.

Effective collection efforts and recovery of long outstanding accounts resulted to 13.0% increase in net interest income to P169.6M in 2014 from P150M in 2013, and an increase in net income after tax to P41.7M in 2014 from P23.1M in 2013, or about 80.4% growth.

In 2015, MFC intends to continue on capitalizing on the expected hefty growth of the local motorcycle industry. The Company believes that there continuous to be big room for growth given the rising use of motorcycle in the country. The Philippine's double digit motorcycle density ratio as compared to the single digit density ratio of our other Asian neighbors provide the huge potential for growth in the Philippine motorcycle industry in the coming years. Likewise, the traffic in the metropolis has made purchasing motorcycles the more practical alternative to taking daily commutes.

We continue to explore other financial products such as Teacher's Loan and Salary Loan and pursue our plan to expand RX Cashline product. MFC reiterates its commitment to providing source of funding for consumers and businesses which are considered partners to their improved livelihood.

Operating Departments and Units

The Company has three (3) main operating units that represent each main business line. The following is a brief description of each:

Rx Cashline Group

The Rx Cashline group is mainly responsible for the Rx Cashline product. This group is tasked with: (i) sales and promotion of the Rx Cashline product to medical professionals, (ii) assist in credit application, investigation, evaluation, and recommendation, (iii) collection as well as (iv) research and development.

The Rx Cashline group also has a network of accredited referral agents that bring in qualified loan clients.

MFC Factors Group

The MFC Factors Group is responsible for running the receivables factoring business of the Company. Among its basic tasks are: (i) sales and promotion, (ii) credit application, investigation, evaluation, recommendation, and (iii) collection. The account officers are responsible for the research of businesses that seek to factor their receivables for extra liquidity. Factoring leads come from accredited referral agents as well as current clients.

MC Financing Group

The MC Financing Group is tasked with: (i) sales and promotion, (ii) credit application, investigation, evaluation, recommendation, and (iii) collection for the motorcycle financing business of the Company.

Business Operations

The Company's business operations involve: (a) sales and marketing; (b) evaluation and approval of loan applications; and (c) collection of loan accounts. The following discussion presents the various components of the Company's business operations.

Sales and Marketing

The Company's sales and marketing effort is led by the Account Officers (AO)/Credit Sales Representatives (CSR) of each operating department. The AOs/CSRs are responsible for generating new loan accounts as well as monitoring the existing ones. Moreover, each account officer is tasked with generating and monitoring their accounts in their respective service areas.

In addition to the AOs/CSRs of each operating department, the Company also has a large network of accredited agents that refer loan applicants to the Company. The Company's network of referral agents includes both individuals and accredited institutions, such as medical organizations and distributors of medical and dental equipment.

As part of the Company's marketing efforts, the AOs/CSRs employ the following promotional tools: (i) direct mail; (ii) advertisements in trade publications; (iii) fax and e-mail marketing; (iv) tele-marketing; (v) door-to-door marketing; (vi) attendance of special events/trade shows; (vii) loan renewal program; and (viii) referral network and programs.

Loan Evaluation and Approval Process

For consumer finance companies, there is prime importance in a complete and adequate evaluation and stringent screening process for new loan applications. Given the country's economic environment, assessing credit risk and quality of new loan accounts become one of the core processes of finance companies such as MFC.

Along with a proprietary credit scoring system, MFC's in-house loan process evaluation includes business and residential visits and ocular inspections. The Company also verifies new loan applications with the Credit Management Association of the Philippines (CMAP) and the Credit Investigation Bureau, Inc. (CIBI) to determine if there exist negative credit findings on a loan applicant. The Account Officer then thoroughly analyzes the application and makes a recommendation.

The Company's Credit Committee makes the final decision on the application for Rx Cashline and MFC Factors group while the Branch Manager and the Controller approves the application for MC Financing based on the AO/CSR's analysis. The Credit Committee is composed of the Chief Operating Officer (COO), Chief Finance Officer (CFO), Operations Manager and Finance Manager.

Once an application has been approved by the Credit Committee, a check will be prepared for the loan release. The clients are notified of the approval before the loan is released. The clients are also requested to furnish some final documentation prior to the release of the funds. The post-dated checks and other loan requirements from the client are submitted to the cashier. If the required documents are clear and in order, the loan proceeds are then released to the client. Various documents are then provided by the various departments and groups to the Account Officers to facilitate in account monitoring and collection.

While for MC Financing, once application is approved by the Branch Manager, various documentations are prepared for the release of the motorcycle unit. The borrower pays for the down payment, registration and the insurance, signs the chattel mortgages and other release forms before the units may be released or delivered to the customer.

Loan Collection Process

Monitoring the loan accounts is the responsibility of the Account Officer or Credit Sales Representative of each of the operating departments. The subsidiary ledger of their respective approved clients contains the schedule of the loan amortization payments. Because the Rx Cashline clients have already given their post-dated checks for the loan repayments, the Account Officers are well advised of the status of each account. Account Officers are always updated on clients that have completed their amortization payments and those that have incurred returned-check payments. Clients whose checks have bounced are immediately advised by the Account Officer in charge to settle the payment as soon as possible with consequent late payment charges and handling fees. With this, it is important to take note that MFC normally evaluates the circumstances of bounced checks on a case-to-case basis to maintain profitable relations with their clients as much as possible. The Credit Sales Representatives, on the other hand, most often directly and personally collects the loan amortizations. Some customers prefer to pay directly to the branch office, but this is only a few.

Customers that do not remit payment on the due date are classified as past due accounts while those that are more than 90 days past due are reclassified as delinquent accounts. Legal action or foreclosure of collateral may be endorsed for accounts that turn delinquent. MC Financing clients' will have their motorcycles units repossessed for 60 days past due. Clients may get them back upon payment of amortization in arrears.

Despite instituting a firm and stringent credit and collection policy, the Company maintains its goal of providing quality service to its clients.

Employees

As of December 31, 2014, the Company accounted for a total of 280 employees, distributed as follows:

Rank	2014 No. of Employees	Projected 2015 No. of Employees
Officers	2	2
Managerial/Supervisory	31	33
Rank and File	247	270
Total	**280**	**305**

Employment Status	No. of Employees
Regular	228
Probationary	50
Total	**280**

The employees of the Company are not subject to any collective bargaining agreement (CBA).

Item 2. Properties

As part of its normal operations, the Company acquires or forecloses on several properties that are mortgaged to secure customers' loans. There are no other mortgages or liens on these properties except those under the name of the Company. These properties have subsequently been transferred to the Company. The Company tries to eventually dispose or sell these properties. The list of these properties is found in the following table:

List of Foreclosed Properties as of December 31, 2013		
Location	**Size(Sqm)**	**Description**
Capitol Homesite Subd., Brgy. Cotta, Lucena City (2 lots)	561	Transferred
Bo. De Ocampo, Trece Martires City, Cavite	1,410	Transferred
LF Flores, Teachers Village, Brgy. Cotta, Lucena City (6 lots)	900	Transferred
TOTAL	**2,871**	

Item 3. Legal Proceedings

There are no legal proceedings against the Company, except collection and/or foreclosure cases in the normal course of its operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matter that require voting decisions were submitted to the Security Holders in the fourth quarter of the year 2014.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Share Capital

The Company has an authorized capital of **₱300,000,000**, divided into **300,000,000** Common Shares, with a par value of ₱1.00 per share, out of which **₱203,312,773**, divided into **203,312,773** shares are issued and outstanding.

Subject to the authorization of the SEC, the Company may increase or decrease its authorized capital with the approval of a majority of the Board of Directors and Stockholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the Company.

Amendments to Authorized Capital Stock and Par Value

In year 2000, the BOD and stockholders approved, as part of the quasi-reorganization, the decrease in the Company's authorized capital stock of ₱100,000,000, with a subscribed and paid-up capital of ₱45,149,780 to ₱9,949,040 with a subscribed and paid-up capital of ₱2,487,260. There was no return of capital, thus, the surplus arising from the reduction in the capital amounting to ₱42,662,520 was credited to additional paid-in capital.

On the same date, the BOD and stockholders approved the increase in the Company's authorized capital stock from ₱9,949,040 to ₱127,000,000, divided into 12,700,000 common shares with a par value of ₱10 per share.

On January 23, 2001, the Company issued additional 3,198,535 shares to the shareholders against their deposits for future subscriptions amounting to ₱87,078,288, resulting to an additional paid-in capital of ₱55,092,938.

On the same date, the Securities and Exchange Commission (SEC) approved the quasi-reorganization as described above.

Accordingly, upon such approval, the additional paid-in capital amounting to ₱97,781,211 as of that date was applied against the Company's deficit as of July 31, 2000 amounting to ₱97,781,211.

On December 11, 2001, the BOD and stockholders approved the reduction in the Company's authorized capital stock from ₱127,000,000 to ₱100,000,000 and from par value of ₱ 10 per share to ₱1 per share. On March 11, 2002, the BOD and stockholders amended the proposed reduction in the Company's authorized capital stock from ₱127,000,000 to ₱90,000,000 and from par value of ₱10 per share to ₱1 per share. The reduction in authorized capital stock was approved by the SEC on May 9, 2002. The reduction in par value resulted in the issuance of 31,025,349 additional shares to existing shareholders.

Also on March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small & Medium Enterprise Board on January 6, 2003 with an offer price of PhP1.38 per share. Underwriter was Abacus Capital & Investment Corporation.

On November 6, 2007, the Board of Directors and stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Company approved the increase in the Company's authorized capital stock from ₱90, 000,000 divided into 90,000,000 Shares, with a par value of ₱1.00 per share, to ₱300, 000,000, divided into 300,000,000 Shares, with a par value of ₱1.00 per share.

Stock Dividends

On December 11, 2001, the BOD and stockholders declared stock dividends in the aggregate amount of ₱20.8 million in favor of the stockholders of record as of May 31, 2002, with any fractional shares to be paid in cash.

Cash and stock dividends were declared in 2007, 2006 and 2005 equivalent to 30% of the Company's net income after tax. There was no sale of unregistered securities within the last three years.

On November 6, 2007, the Company declared stock dividends in the aggregate amount of ₱6.9 million out of the unrestricted retained earnings of the Company as of October 31, 2007 in favor of the stockholders of record as of December 31, 2006 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

The Company also declared on November 6, 2007, stock dividends in the aggregate amount of ₱50.2 million out of the unrestricted retained earnings of the Company as of October 31, 2007 in favor of stockholders of record as of November 27, 2007 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

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 P2,257,147. Fractional shares related to this declaration were settled in cash.

On June 04, 2009, the Company declared stock dividends in the aggregate amount of P819,716 out of the unrestricted retained earnings of the Company as of December 31, 2008 in favor of stockholders of record as of July 2, 2009 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

On June 24, 2010, the BOD approved the declaration of 0.84% stock dividends in the amount of ₱1,612,240 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 ₱1,612,316. Fractional shares related to this declaration were settled in cash amounting to ₱76.

On June 23, 2011, the BOD approved declaration of stock dividends amounting to 0.96% of the outstanding capital stock equivalent to a maximum of 1,853,287.95 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of July 21, 2011 with a payment date not later than 15 August 2011. Fractional shares were paid in cash. . On the same date, the BOD also approved declaration of cash dividends in the amount of P1,853,287.95 or an equivalent of P0.009578971 per share (0.96%) to stockholders of record as of July 21, 2011 with a payment date of August 15, 2011. Both dividends were paid out of the audited net profits of the Corporation as of December 31, 2010.

On June 28, 2012, the BOD approved declaration of stock dividends amounting to 1.06% of the outstanding capital stock equivalent to a maximum of 2,074,158.30 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of July 26, 2012 with a payment date not later than August 20, 2012. Fractional shares were paid in cash. On the same date, the BOD also approved declaration of cash dividends in the amount of P2,074,158.30 or an equivalent of P0.0106188538 per share (1.06%) to stockholders of record as of July 26, 2012 with a payment date of August 20, 2012. Both dividends were paid out of the audited net profits of the Corporation as of December 31, 2011.

On July 25, 2013, the BOD approved declaration of stock dividends amounting to 1.24% of the outstanding capital stock equivalent to a maximum of 2,445,253.68 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of August 22, 2013 with a payment date not later than September 17, 2013. Fractional shares were paid in cash. On the same date, the BOD also approved declaration of cash dividends in the amount of P2,445,253.68 or an equivalent of P0.012387177150 per share (1.24%) to stockholders of record as of August 22, 2013 with a payment date of September 17, 2013. Both dividends were paid out of the audited net profits of the Corporation as of December 31, 2012.

On July 31, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the amount of P3,465,553 to stockholders of record as of August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash dividends amounting to P3,465,589. Fractional shares related to this declaration were settled in cash amounting to P36.00.

The movements in the number of shares and capital stock amount for the years ended December 31, 2014, 2013 and 2012 as follow:

	2014		2013		2012	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	**199,847,220**	**P199,847,210**	197,402,011	P197,402,011	195,327,890	P195,327,890
Stock dividends	**3,465,553**	**3,465,553**	2,445,209	2,445,209	2,074,121	2,074,121
Balance at end of year	**203,312,773**	**P203,312,773**	199,847,220	P199,847,220	197,402,011	P197,402,011

MARKET SHARE INFORMATION

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

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

According to the Philippine Stock Exchange Website, latest available price information on Makati Finance's stock price is P2.83 per share as of December 29, 2014. The Company has not gone into a business combination nor any reorganization for the year 2014.

Share Prices:

The latest available price information on Makati Finance's stock price is P3.63 per share as of April 08, 2015.

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

	Market Prices	
Quarter Ending	**High**	**Low**
March 2015	4.20	3.60
December 2014	6.50	2.76
September 2014	12.50	4.14
June 2014	15.00	4.00
March 2014	3.50	3.50
December 2013	3.50	3.50
September 2013	3.50	3.50
June 2013	4.50	4.50

HOLDERS OF COMMON STOCK as of April 8, 2015
TOP 20 Stockholders

There are a total of 103 stockholders as of April 8, 2015.

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	143,584,274	70.62%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	13,617,635	6.70%
MICHAEL WEE	FOR	A	7,939,097	3.90%
BORROMEO BROS. ESTATE INC.	FIL	A	6,269,592	3.08%
ERIC B. BENITEZ	FIL	A	5,350,773	2.63%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	4,985,299	2.46%
MELLISSA B. LIMCAOCO	FIL	A	4,802,330	2.36%
GLENN B. BENITEZ	FIL	A	4,572,329	2.25%
RENE B. BENITEZ	FIL	A	4,572,329	2.25%
JOEL FERRER	FIL	A	1,932,754	0.95%

RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	947,197	0.47%
REYES, MARY GRACE V.	FIL	A	580,000	0.29%
PCD NOMINEE CORPORATION (FOREIGN)	FOR	A	473,811	0.23%
TERESITA B. BENITEZ	FIL	A	367,770	0.18%
MERG REALTY DEVELOPMENT	FIL	A	331,526	0.16%
GLENN B. BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	228,596	0.11%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	228,596	0.11%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	228,596	0.11%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	228,596	0.11%
RENE BENITEZ ITF LORENZO L. BENITEZ	FIL	A	228,596	0.11%
SUB-TOTAL			**201,469,696**	**99.09%**
OTHER STOCKHOLDERS (83)			1,843,077	0.91%
GRAND TOTAL (103 stockholders)			**203,312,773**	**100.00%**

Currently the Company is in compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 10.61% public float.

DIVIDENDS

As approved by the Board of Directors and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2009, the Board of Directors also approved the declaration of cash dividends amounting to P819,812. Fractional shares were settled in cash. For the year 2010, the Board of Directors also approved the declaration of cash dividends amounting to P1,612,316. Fractional shares related to this declaration were settled in cash. For the year 2011, the Board of Directors also approved the declaration of cash dividends amounting to P1,853,287.95. Fractional shares were settled in cash. For the year 2012, the Board of Directors also approved the declaration of cash dividends amounting to P2,074,158.30. Fractional shares was settled in cash. For the year 2013, the Board of Directors also approved the declaration of cash dividends amounting to P2,445,253.68. Fractional shares were settled in cash. For the year 2014, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to P3,465,589. Fractional shares were settled in cash.

There is no restriction that limit the payment of dividend common shares.

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

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

EXEMPTION FROM REGISTRATION CLAIMED

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

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

Plans and Prospects for 2015

The Company intends to continue to ride the growth of the Philippine motorcycle industry. Thus the 2015 plan of MFC together with its dealer partner is to increase sales from its existing strategic outlets through extensive marketing activities and competitive pricing strategies.

We shall continue to explore other financial products such as Teacher's Loan and Salary Loan and continue to pursue the plan to expand RX Cashline, Business Loan and MC Factoring.

Lending Activities

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

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

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

Funds Generation

We currently have a P610.80 million facility with Amalgamated Investment Bancorporation (AIB), a P100.00 million term loan facility with Security Bank, P100.00 million term loan facilities with Landbank and P25.00 million term loan facility with BPI. The Company is in discussion with other financial institution to secure a credit loan facility to finance MFC's growth potential in 2015.

Currently fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule.

Discussion of Past Financial Performance

As of December 31, 2014

Results of Operation

Net Income after Tax for the year ending December 31, 2014, as reflected in the audited financial statements had increased by 80.4% to P41.7 million in 2014 from P23.1 million in 2013 or an increase in an absolute amount of P18.6 million.

Total operating income rose from P179.7 million in 2013 to P185.2 million in 2014 or 3.1% increase from 2013 performance. Total expenses in 2014 ended at P184.4 million which was 7.1% lower from P198.54 million expenses in 2013.

Interest income in 2014 amounted to P220.19 million; major breakdown of which is P21.46 million from Rx, P5.40 million from Factors and P189.80 million from MC Financing.

With higher income in 2014, Earnings Per Share went up at P0.21 compared to P0.11 in 2013.

Financial Condition and Capital Resources

In 2014 total assets declined by P32.98 million as against that in 2013, from P1,293.14 million to P1,260.16 million due primarily to the decrease in motorcycle financing loan releases in 2014 due to stringent credit scoring policy. There was also a noticeable decline in our notes payable by P63.25 million as compared to that in 2013.

Interest Income

The interest income this year was up by 10.87% or P21.59 million in absolute amounts from P198.61 million in 2013 to P220.19 million in 2014.

Net Interest Income

Net interest income increased by 13.03% or by P19.56 million, interest expense increased by 4.18% or P2.03 to P50.51 million in 2014 from P48.54 million. Interest income increased due to effective collection efforts and aggressive recovery of long overdue accounts in 2014.

Other Income

Other income decreased by ₱14.00 million or 47.30% from 2013 due mainly to a one time gain on sale of available for sale financial assets in 2013 amounting to P12.22 million.

Income Before Income Tax

Due to the slight increase in interest income and reduction in operating expenses due to lower provision for credit losses, income before income tax increased to P0.86 million from loss before tax of P18.88 million in 2013.

Net Income

The Company posted a net income of ₱ 41.69 million in 2014 compared to ₱ 23.10 million in 2013 or an increase of 80.42%.

As of December 31, 2013

Results of Operation

Net Income after Tax for the year ending December 31, 2013, as reflected in the audited financial statements, was at P23.10 million. This was a 19.25% decline from the Net Income after Tax of P28.61 million in 2012.

Total operating income rose from P144.86 million in 2012 to P179.66 million in 2013, or a 24.02% increase from 2012 performance. Total expenses in 2013 reached P198.54 million which was 55.56% higher than the P127.63 million expenses in 2012.

Interest income in 2013 amounted to P198.61 million; major breakdown of which is P19.70 million from Rx, P6.09 million from Factors and P169.52 million from MC Financing.

With lower income in 2013, Earnings Per Share dropped at P0.11 compared to P0.14 in 2012.

Financial Condition and Capital Resources

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

Interest Income

The interest income this year was up by 12.49% or P22.05 million in absolute amounts from P176.56 million in 2012 to P198.61 million in 2013.

Net Interest Income

Interest expense in 2013 had increased by 9.13% or P4.06 million as against that in 2012. The interest expense increased from P44.48 million to P48.54 million. The increase in income is due to the expansion activity primarily in the MC Financing product.

Other Income

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

Income Before Income Tax

Due to the significant increase on provision for credit losses under operating expenses, income before income tax in 2013 declined from income before tax of P17.23 million in 2012 to a loss before tax of P18.88 million in 2013.

Net Income

The Company posted a net income of ₱23.10 million compared to ₱ 28.61 million in 2012 or a decreased of 19.25%.

As of December 31, 2012

Results of Operation

Net Income after Tax for the year ending December 31, 2012, as reflected in the audited financial statements, was at P28.61 million. This was a 17.3% increase over the Net Income after Tax of 2011, or an increase of P.47 million .

Total operating income rose from P135.93 million in 2011 to P150.26 million in 2012, an 14.33% increase from 2011 to 2012 performance. Total expenses in 2012 reached P127.51 million which was 10.71% higher than the P116.80 million expenses in 2011.

Interest income in 2012 amounted to P186.12 million; major breakdown of which is P16.84 million from Rx, P7.32 million from Factors and P159.53 million from MC Financing.

With higher income in 2012, Earnings Per Share in 2012 went up at P0.12 compared to P0.07 in 2011 while Return on Assets was at 6.5%, slightly better as that in 2011.

Financial Condition and Capital Resources

In 2012 total assets increased by P228.72million as against that in 2011, from P904.92 million to P1,133.64 million which was primarily due to increase in our motorcycle financing loan portfolio. There was also a noticeable increase in our notes payable by 145.2 million as compared to that in 2011.

Interest Income

The interest income this year was up by 33.67% or P84.48 million in absolute amounts from P176.56 million in 2011 to P132.08 million in 2012.

Net Interest Income

Interest expense increased by 50.34% or P14.85 million as against that in 2011. The Company increased in interest expense from P29.6 million to P44.5 million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income increased by ₱9.2 million or 103.4% from December 2011.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 18.8% from December 2011.

Net Income

The Company posted a net income of ₱28.61 million compared to ₱19.52 million in 2011 or an increase of 46.57%.

KEY PERFORMANCE INDICATORS:

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

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

	2014	2013
Solvency and Liquidity Ratios		
Current ratio	**101.76%**	166.50%
Debt to equity ratio	**232.02%**	280.98%
Quick ratio	**64.94%**	87.12%
Profitability Ratios		
Return on assets	**3.31%**	1.79%
Return on equity	**10.98%**	6.81%
Net profit margin	**18.93%**	11.63%
Asset to Equity Ratio	**332.02%**	380.98%
Interest Rate Coverage Ratio	**2.12**	1.78
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	**0.21%**	0.20%
Total receivables to total assets	**67.05%**	76.00%
Total DOSRI receivables to net worth	**3.28%**	3.90%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	**0.25%**	0.12%
Honda Motors World, Inc.	**0.28%**	0.24%

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

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

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

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

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

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

CAPITAL EXPENDITURES

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

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

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

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

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

SEASONAL ASPECTS

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

Item 7. Financial Statements

The audited financial statements are herewith attached as "ANNEX A".

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

There are none.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of R.G. Manabat & Co. is the incumbent external auditor of the Company for the calendar year 2014. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Ms. Carmel Lynne M. Balde, the partner in charge, is the reviewer/auditor of the Company. It is expected that R.G. Manabat & Co. will be reappointed as the Company's external auditor for year 2015.

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

There had been no disagreements with R.G. Manabat & Co. with regards to accounting policies and financial disclosures of the Company.

Audit Committee is comprised of the following – Mr. Francisco C. Eizmendi Jr. as Chairman and Mr. Juan Carlos Del Rosario, Mrs. Teresita B. Benitez and Mr. Lawrence EE as members.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with R.G. Manabat & Co. with regards to accounting policies and financial disclosures of the Company. Ms. Carmel Lynne M. Balde, the Partner, has been the auditor of the Company starting year 2014, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged R.G. Manabat & Co. for a service fee of Php 550,000 for FY2014 audit period. The Company has not engaged R.G. Manabat & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the Board of Directors. Recommendations by the audit committee are then deliberated during the Board meetings.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors and Executive Officers

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

Dr. Isidro B. Benitez, *88, Filipino*, is the *Chairman Emeritus*. Dr. Benitez has served as a Director since the Company's incorporation. He is also the Chairman of Obstetrics and Gynecology of the Makati Medical Center, MERG Realty Corporation and Amalgamated Development Corporation. Concurrently, Dr. Benitez is the Vice-Chairman of AIB and a Director of Nationwide Health Systems. He was formerly the Chairman of Obstetrics and Gynecology of the University of the Philippines / Philippine General Hospital where he worked from 1955 to 1988. He is presently the Chairman of the Examining Board of SGOP, Philippines, and a member of the American College of Surgeons, the Philippine College of Surgeons and the Philippine OB-Gyne Society. He obtained his Doctor of Medicine degree from the University of the Philippines, specialized in Obstetrics and Gynecology at John Hopkins University, Baltimore, Maryland and took courses in the Senior Executive MBA Program of the Ateneo de Manila University. He is also a director of Dearborn Motors, Inc. and Vice Chairman of Amalgamated Investment Bancorporation.

Mr. Juan Carlos del Rosario, *65, Filipino,* has served as a *Director* since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurances Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

Ms. Teresita B. Benitez, *80, Filipino,* is the Company's *Vice Chairperson.* She has been a Director since 2001. She had previously worked for the Philippine Bank of Commerce as Assistant Personnel Manager and United Coconut Planters Bank as Assistant Corporate Secretary. She had also been a director at Asiatrust Bank and Amalgamated Development Corporation. At present she is the Treasurer and Director of Nationwide Health Systems and FLB Development Corporation and the President of MERG Realty and Development Corporation. Ms. Benitez obtained a Bachelor of Science degree in Commerce from the University of San Francisco.

Mr. Max O. Borromeo, *66, Filipino,* is the Company's *President.* He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is concurrently President and a Director of Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc. He is also a Director in the following companies: Borromeo Brothers Estate, Inc., Margarita Agro-Industrial Corp., Salud Borromeo Foundation, Inc. and McBros Development Corporation. At present, Mr. Borromeo is the governor of the Cebu Business Park. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Rene B. Benitez, *53, Filipino,* is the Company's *Chairman* of the Board. He has been a Director since 1996. Prior to joining the Company, he held the position of Country Manager of the Development Bank of Singapore ("DBS") Securities, Inc. He has had extensive experience in foreign and local investment banking and capital market operations, having been connected with Insular Investment and Trust Corporation, Shearson Lehman Brothers (USA), Prudential Bache Securities (USA) and the World Bank. He was formerly a member of the Philippine Stock Exchange and is currently Director of H. Thomas Group, Inc., Vision Air Flight Support Service, Inc., Pikeville, Inc., MERG Realty and Development Corporation, Commercial & Consumer Credit Corporation, Global Credit and Management Group, JCR Realty and Management and Interglobal Alliances. He graduated from Claremont Colleges / Pitzer College with a double degree in Business Economics and Organizational Studies. He also has a Master's Degree in Economics from Yale University.

Mr. Joel S. Ferrer, *61, Filipino,* has served as a *Direct*or since 1998. Mr. Ferrer is currently the President of PARMAN Inc., an overseas recruitment company. At the same time he also manages his family's aquaculture business. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., *77, Filipino*, is one of the *Independent Directors* of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently a Director of RCBC Forex Brokers Corporation. Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Atty. Eugenio E. Reyes, *78, Filipino*, is one of the *Independent Directors* of the Company. He was elected as a Director only in the last quarter of 2003. Atty. Reyes is with Jacob Jacob & Associates, concurrently the Corporate Secretary of Parman, Inc. and Executive Secretary of the Philippine Association of Securities Brokers and Dealers, Inc. He was also a former Director of the Securities & Exchange Commission from 1999 to 2001. Atty. Reyes finished his Bachelor of Laws at the University of Southern Philippines in Cebu City.

Mr. Michael Wee Soon Lock, *79, Singaporean*, has served as a *Director* since 1998. Mr. Wee is a senior ASEAN banker and retired Executive Chairman of Development Bank of Singapore Securities Holding PTE Ltd. He has held the positions of the Chairman of NatSteel Ltd., Deputy Chairman of DBS Land, Executive Vice President of the Development Bank of Singapore, General Securities Investments Ltd., Singapore Bus Service Ltd., Laguna National Golf and Country Club, Ltd. and was the Director of NFC Merchant Bank, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of Birmingham and obtained his Masters Degree in Finance from the University of British Colombia.

Mr. Jose V. Cruz, *80, Filipino*, has served as a *Director* since 2010. Mr. Cruz is currently the President and CEO of Amalgamated Investment Bancorporation ("AIB"). Prior to joining AIB, he has had extensive experience in foreign and local investment banking, commercial banking, and capital market operations,having been based in New York, London, the Middle East, Singapore, and Hongkong. He was formerly Managing Director in AIA Capital Corporation, a Hongkong based regional investment bank (focused on corporate finance in Asia) previously owned by the publicly listed pan-Asian insurance group, AIA Group Limited. He was also a Board Member of AIA Capital's investment banking subsidiaries located in Taiwan, India, and the Philippines. Prior to AIA Capital, he was Senior Vice President of AFC Merchant Bank, a Singapore-based consortium bank owned by leading Southeast Asian banks, including DBS Bank, Bangkok Bank, and Malayan Bank. He was previously Vice President and CFO of MERALCO and a Board member of Royal Dutch Shell's subsidiary in the Philippines. He started his career as an officer in the 1970s in Citigroup (then called Citibank) head office, New York. He received his MBA from Columbia University, New York City.

Mr. Eric B. Benitez, *48, Filipino*, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Independent Directors

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

Senior Management

Mr. Maxcy Francisco Jose R. Borromeo, *,41, Filipino, is the Company's Chief Operating Officer (COO).* Aside from being a COO of the Company, Mr. Borromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, and Maxi Agricultural Corporation. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and Financial Management. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Marcos E. Larosa, CPA – *Chief Finance Officer, 36, Filipino*, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He graduated with a Bachelor of Science degree in Accounting from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, *Corporate Secretary and Legal Counsel, 46, Filipino*. Atty. Co has been serving the Corporation has its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer & Ang-Co Law Offices. He is also the Corporate Secretary and legal counsel of Information Capital Technology Ventures, Inc., a publicly-listed company, and a Director and/or Corporate Secretary of several other Philippine corporations, including Western Roadhouse Foods, Inc., Papercon, Inc., Amalgamated Investment Bancorporation and Kalayaan College. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers was involved during the past five years up to April 15, 2015 in any bankruptcy proceedings up to April 15, 2015. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, not any action by any court or administrative body to have violated a securities or commodities law.

Item 10. Executive Compensation

The Company has an existing management contract with Honda Motor World for advice and assistance in the MC Financing product assisted by Mr. Max O. Borromeo, President and with Pikeville, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. Each of the directors receives per diem amounting to ₱50,000 for every Board meeting they attend.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	NAME AND PRINCIPAL POSITION	SALARY/MANAGEMENT FEE	BONUS	OTHER COMPENSATION
2015 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Teresita Benitez – Vice Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	6,625,920	1,200,000	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	8,265,600	2,000,000	2,200,000
2014 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Teresita Benitez – Vice Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	6,821,891	1,165,657	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,854,908	1,945,350	2,200,000
2013 (Actual)	Top 5 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO Aldrin B. Pontanares – Operation Manager	7,500,000	700,000	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,000,000	913,672	2,010,000
2012 (Actual)	Top 5 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO Aldrin B. Pontanares – Operation Manager	7,000,000	400,000	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,000,000	913,672	2,010,000
2011 (Actual)	Top 5 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO Albert J. Batacan – Manager	7,850,000	484,000	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,850,000	1,150,000	1,900,000

IDENTITY OF SIGNIFICANT EMPLOYEES

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of record/beneficial owners of more than 5% Equity

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
	DIRECT				
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	143,584,274	70.6224%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	14,420,520	7.0976%

Security ownership of BOD and Officers with Direct Ownership

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	Michael Wee Son Lock 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Beneficial owner	Singaporean	8,407,179	4.1379%
Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	5,666,248	2.7889%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	4,841,907	2.3831%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	242.069	0.1191%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	242.069	0.1191%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,046,705	1.0074%
Common	Teresita B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	404,744	0.1994%

Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	409,527	0.2016%
Common	Juan Carlos Del Rosario Unit 9 17-A, Mckinley Road, Forbes Park, Makati City	Beneficial owner	Filipino	29	0.00002%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	15	0.00001%
Common	Atty. Eugenio E. Reyes 39 Road A St., Anthony Village, Quezon City	Beneficial owner	Filipino	15	0.00001%
Common	Jose V. Cruz 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%

Makati Finance Corporation complied with the minimum percentage requirements of listed securities held by the public of 10% of the listed company's issued and outstanding share. The Company will endeavor to increase its public float.

Item 12. Certain Relationships and Related Transactions

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21

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

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

The following transactions have been entered into with related parties:

	Outstanding balances/Amount/Volume		
Category	**2014**	2013	**Nature, Terms and Condition**
Parent Company			
Amalgamated Investment Bancorporation			
Other receivables	P80,514	P80,514	Adjustment from 2% to 20% expanded
Availments	-	-	withholding tax of AIB; no impairment
Settlements	-	429,901	Payments of EWT of previous year on
			Company's claim for reimbursement ; no impairment

Notes payable	610,800,000	645,300,000	Unsecured, 1-year interest bearing placement
Availments	38,000,000	168,000,000	at 6.75% annual interest rate
Settlements	72,500,000	35,000,000	Pretermination of notes payable
Interest Expense	28,241,748	33,973,088	Interest payment on notes payable
Share in Net Income of an Associate	39,545,382	41,120,108	Share in income from investee's profit
Dividend received	36,000,000	32,400,000	Cash dividend from AIB
Other Related Parties			
Motor Ace Philippines Inc			
Other receivable	2,151,708	1,207,672	Non-interest bearing, unsecured; no impairment
Availments	1,393,142	645,394	Payment of billing; no impairment
Settlements	449,106	38,900	
Accounts payable	23,875,220	38,508,864	30-day unsecured, non-interest bearing
Availments	364,932,451	396,939,782	liability representing billings for motorcycle
Settlements	341,057,231	385,683,955	units financed by the Company
			Payment for billings of financed motorcycle units
Pikeville Bancshares			
Professional fees	1,102,080	1,193,920	Payment of professional fees
MERG Realty Development Corporation			
Accounts receivable	35,835	38,835	
Availments	-	38,835	Availment of comprehensive insurance ; no impairment
Settlements	-	30,643	Payment of insurance billing; no impairment
Interest Expense	2,190,000	2,190,000	Interest payment on notes payable; no impairment
Directors and other stockholders			
Notes payable	103,875,896	94,349,786	Secured, 1-year interest bearing placement at
Availments	12,625,000	20,952,889	6.0% annual interest rate
Settlements	2,090,343	12,805,530	Pretermination of notes payable
Interest expense	2,555,555	3,629,114	Interest payments for notes payable.
Professional Fees and other Management Fees	3,244,889	4,946,395	Payment of professional fees
Key Management Personnel			
Other Accounts Receivable	-	3,571,954	
Availments	-	4,000,000	Secured, interest-bearing; no impairment
Settlements	3,571,954	664,078	Payment of receivable; no impairment
Interest Expense	-	571,162	Interest payment on notes payable

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

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the ACGR herein attached as "ANNEX C"

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003 up to the present. To monitor compliance, the board of directors designated Mr. Marcos E. Larosa as Compliance Officer. The Company submitted to the SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act. No. 9194 on October 28, 2004. Also, The Company submitted the Audit Charter Manual. Lastly, the Company's By-Laws shall be amended to incorporate provisions on independent directors. Deviations from the Company's Manual on Corporate Governance are not applicable. With regards to plans on improving corporate governance of the Company, Makati Finance is already adopting the International Accounting Standards in the presentation of its financial statements with the help of its external auditors. Communications are open with R.G. Manabat & Co. with regards to further compliance with the IAS.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The Company's audited financial statements are hereby attached as "ANNEX A".

(b) Reports on SEC Form 17-C

The reports on SEC Form 17-C filed during the last six months ended December 31, 2014 are hereby attached "ANNEX B".

Quarterly Financial Reports ending March 31, 2014 were submitted to the SEC on May 15, 2014; quarterly ending June 30, 2014 on August 14, 2014 and for the quarter ending September 30, 2014 on November 18, 2014.

SIGNATURES

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

By:

TERESITA B. BENITEZ Vice-Chairperson	**MAX O. BORROMEO** President	**JOEL S. FERRER** Treasurer
MARCOS E. LAROSA Chief Finance Officer	**MAXCY FRANCISCO JOSE R. BORROMEO** Chief Operating Officer	**DANILO ENRIQUE O. CO** Corporate Secretary

SUBSCRIBED AND SWORN before me this ______day of APR 13 2016________, affiant(s) exhibiting to me his/her Tax Identification Numbers as follows:

NAME	**TIN #**
TERESITA B. BENITEZ	105-339-733
MAX O. BORROMEO	108-479-305
JOEL S. FERRER	103-276-130
MARCOS E. LAROSA	206-361-568
MAXCY FRANCISCO JOSE R. BORROMEO	153-065-629
DANILO ENRIQUE O. CO	134-866-959

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 760752 - LIFETIME MEMBER
PTR. NO. 474 - 8910 JAN 05, 2015
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

Doc No. 16;
Page No. 05;
Book No. 422;
Series of 2015.

R.G. Manabat & Co.
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Makati City 1226, Metro Manila, Philippines

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E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited the accompanying financial statements of Makati Finance Corporation as at and for the year ended December 31, 2014, on which we have rendered our report dated April 8, 2015.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has eighty six (86) stockholders owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Carmel Lynne Balde

CARMEL LYNNE M. BALDE
Partner
CPA License No. 0099677
SEC Accreditation No. 1055-A, Group A, valid until April 30, 2015
Tax Identification No. 205-133-498
BIR Accreditation No. 08-001987-24-2014
Issued January 22, 2014; valid until January 21, 2017
PTR No. 4748098MC
Issued January 5, 2015 at Makati City

April 8, 2015
Makati City, Metro Manila

EXHIBIT II
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2014

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

UNAPPROPRIATED RETAINED EARNINGS - BEGINNING		P132,567,334
ADD(LESS) ADJUSTMENTS:		
Accumulated equity in net income of an associate		(108,156,840)
ADD: Net income actually earned during the year		
Net Income during the period	41,685,179	
Deferred tax benefit during the year	(8,428,768)	
Equity in net income of an associate	(39,545,382)	
Dividend Income from an associate	36,000,000	29,711,029
LESS: Dividends declared during the year		(6,931,177)
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS		P47,190,346

EXHIBIT III
MAKATI FINANCE CORPORATION
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts		✓*	
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements		✓*	
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓*	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓*	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011):	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Investment Entities			

PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards		✓		
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓*	
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'		✓*	
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓*	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40		✓*	
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan	✓		
PIC Q&A	PAS 1.10(f) – Requirements for a Third Statement of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
2011-01	Financial Position			
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		

These standards will be effective subsequent to January 1, 2014 and were not adopted early by the Company.

EXHIBIT IV
MAKATI FINANCE CORPORATION
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
December 31, 2014

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Other investments: Orchard golf club shares	1	P80,000	-

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Cynthia M. Gacayan, Chief Operating Officer (former)	P3,571,954	P-	P3,571,954	P-	P-	P-	P-

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Pushtech/IFCA	P153,995.00	P-	P88,245.00	P-	P-	P65,750.00
Accounting system QnE	22,472.00	15,000.00	12,870.00	-	-	24,602.00
5 (+1) Add'l concurrent Licenses - IFCA	63,004.00	-	27,996.00	-	-	35,008.00
Full pymt Accounting (QnE)	23,337.00	-	10,367.00	-	-	12,970.00
Payroll System (intellismart)	43,909.00	10,000.00	20,062.00	-	-	33,847.00
20% DP Payroll System (intellismart)	18,088.00	-	18,087.00	-	-	1.00
Windows 7 Prof OEM License	123,288.00	27,540.00	80,666.00	-	-	70,162.00
10 Kaspersky business space security	7,740.00	-	7,740.00	-	-	-
Windows 2003 server OEM license	20,220.00	-	9,336.00	-	-	10,884.00
Windows 2003 server Office standard 2013	194,151.00	109,700.00	63,190.00	-	-	240,661.00
Windows 8 Prof OEM License	-	85,900.00	7,158.00	-	-	78,742.00
Web Hosting	-	4,000.00	666.00	-	-	3,334.00
Sophos UTM 120 network and web protection	-	146,850.00	21,263.00	-	-	125,587.00
TOTAL	P670,204.00	P398,990.00	P367,646.00	P-	P-	P701,548.00

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
N/A	N/A	N/A	N/A

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

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Schedule G. Guarantees of Securities of Other Issuers

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

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	143,584,274	143,584,274	-	143,584,274	-	-
COMMON	13,617,635	13,617,635	-	-	-	13,617,635
COMMON	4,985,298	4,985,298	-	-	-	4,985,298
COMMON	7,939,097	7,939,097	-	-	7,939,097	-
COMMON	6,269,592	6,269,592	-	-	-	6,269,592
COMMON	5,350,773	5,350,773	-	-	5,350,773	-
COMMON	4,802,330	4,802,330	-	-	-	4,802,330
COMMON	4,572,329	4,572,329	-	-	-	4,572,329
COMMON	4,572,329	4,572,329	-	-	4,572,329	-
COMMON	1,932,754	1,932,754	-	-	1,932,754	-
COMMON	947,197	947,197	-	-	947,197	-
COMMON	580,000	580,000	-	-	-	580,000
COMMON	473,811	473,811	-	-	-	473,811
COMMON	367,770	367,770	-	-	367,770	-
COMMON	331,526	331,526	-	-	-	331,526
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	228,596	228,596	-	-	-	228,596
COMMON	212,986	212,986	-	-	212,986	-
COMMON	192,951	192,951	-	-	-	192,951
COMMON	137,536	137,536	-	-	-	137,536
COMMON	137,200	137,200	-	-	-	137,200
COMMON	63,816	63,816	-	-	-	63,816
COMMON	25,939	25,939	-	-	-	25,939
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047
COMMON	19,047	19,047	-	-	-	19,047

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	19,047	19,047	-	-	-	19,047
COMMON	17,738	17,738	-	-	-	17,738
COMMON	15,427	15,427	-	-	-	15,427
COMMON	13,617	13,617	-	-	-	13,617
COMMON	13,219	13,219	-	-	-	13,219
COMMON	12,673	12,673	-	-	-	12,673
COMMON	12,394	12,394	-	-	-	12,394
COMMON	7,570	7,570	-	-	-	7,570
COMMON	6,471	6,471	-	-	-	6,471
COMMON	5,522	5,522	-	-	-	5,522
COMMON	5,512	5,512	-	-	-	5,512
COMMON	5,492	5,492	-	-	-	5,492
COMMON	5,432	5,432	-	-	-	5,432
COMMON	4,239	4,239	-	-	-	4,239
COMMON	2,101	2,101	-	-	-	2,101
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,804	1,804	-	-	-	1,804
COMMON	1,156	1,156	-	-	-	1,156

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	1,004	1,004	-	-	-	1,004
COMMON	575	575	-	-	-	575
COMMON	566	566	-	-	-	566
COMMON	393	393	-	-	-	393
COMMON	303	303	-	-	-	303
COMMON	210	210	-	-	-	210
COMMON	88	88	-	-	-	88
COMMON	88	88	-	-	-	88
COMMON	88	88	-	-	-	88
COMMON	88	88	-	-	-	88
COMMON	59	59	-	-	-	59
COMMON	29	29	-	-	-	29
COMMON	29	29	-	-	-	29
COMMON	29	29	-	-	29	-
COMMON	29	29	-	-	-	29
COMMON	29	29	-	-	-	29
COMMON	15	15	-	-	-	15
COMMON	15	15	-	-	15	-
COMMON	15	15	-	-		15
COMMON	15	15	-	-	15	-
COMMON	13	13	-	-	-	13
COMMON	1	1	-	-	1	-
COMMON	1	1	-	-	1	-
TOTAL	**203,312,773**	**203,312,773**	**-**	**143,584,274**	**21,322,967**	**38,405,532**

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

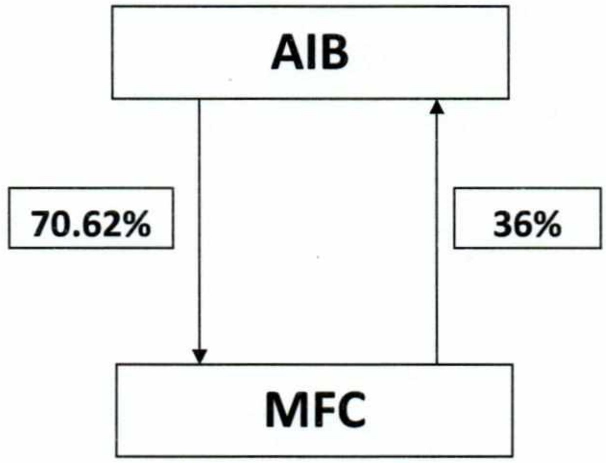

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

	2014	2013
Solvency and Liquidity Ratios		
Current ratio	**101.76%**	**166.50%**
Debt to equity ratio	**232.02%**	**280.98%**
Quick ratio	**64.94%**	**87.12%**
Profitability Ratios		
Return on assets	**3.31%**	**1.79%**
Return on equity	**10.98%**	**6.81%**
Net profit margin	**18.93%**	**11.63%**
Asset to Equity Ratio	**332.02%**	**380.98%**
Interest Rate Coverage Ratio	**2.12**	**1.78**
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	**0.21%**	**0.20%**
Total receivables to total assets	**67.05%**	**76.11%**
Total DOSRI receivables to net worth	**3.28%**	**3.90%**
Amount of receivables from a single corporation to total receivables:		
Motorace Philippines, Inc.	**0.25%**	**0.12%**
Honda Motor World, Inc.	**0.28%**	**0.24%**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANNEX A

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 8 7 8 8

Company Name

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

Principal Office (No./Street/Barangay/City/Town)Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
103		December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marcos E. Larosa	mlarosa@makatifinance.com.ph	896-0221/ 897-0749	+639175309923

Contact Person's Address

9723-B Pililia St., Brgy. Valenzuela, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

MAKATI FINANCE CORPORATION

(A Majority-owned Subsidiary of Amalgamated Investment Bancorporation)

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

MAKATI FINANCE

FINANCIAL SERVICES & ADVISORY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

RENE B. BENITEZ
Chairman of the Board

MARCOS E. LAROSA
Chief Financial Officer

Signed this 8th day of April 2015

MAKATI FINANCE
FINANCIAL SERVICES & ADVISORY

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in MAKATI CITY City this APR 13 2015 day of ________________2015, personally appeared:

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

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

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

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

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

Doc No. 179;
Page No. 37;
Book No. 7;
Series of 2015. 482

MAKATI FINANCE
FINANCIAL SERVICES & ADVISORY

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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

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

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

MAX O. BORROMEO
President

MARCOS E. LAROSA
Chief Financial Officer

Signed this 8th day of April 2015

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

MAKATI FINANCE

FINANCIAL SERVICES & ADVISORY

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in MAKATI CITY City this APR 1 3 2016 day of ________________2015, personally appeared:

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

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

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

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

Doc No. 14
Page No. 04
Book No. 48
Series of 2015.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 474 - 8510 JAN 05, 2015
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Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
Website: www.makatifinance.com.ph

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The KPMG Center, 9/F
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Makati City 1226, Metro Manila, Philippines

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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Makati Finance Corporation, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 49
North Makati
RECEIVED
APR 14 2015

Carmel Lynne Balde

CARMEL LYNNE M. BALDE
Partner
CPA License No. 0099677
SEC Accreditation No. 1055-A, Group A, valid until April 30, 2015
Tax Identification No. 205-133-498
BIR Accreditation No. 08-001987-24-2014
Issued January 22, 2014; valid until January 21, 2017
PTR No. 4748098MC
Issued January 5, 2015 at Makati City

April 8, 2015
Makati City, Metro Manila

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

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

See Notes to the Financial Statements.

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

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

Forward

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

See Notes to the Financial Statements.

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

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

See Notes to the Financial Statements.

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

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

Forward

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

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(With Comparative Figures for 2013)

1. General Information

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

The Company's principal place of business is at 2nd Floor, Makati Finance Centre, 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange (PSE) on January 6, 2003 and is majority–owned (70%) by Amalgamated Investment Bancorporation (AIB).

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

Functional and Presentation Currency

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

Approval of Issuance of Financial Statements

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

3. Summary of Significant Accounting Policies

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

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

Adopted on January 1, 2014

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

  - an entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

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

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

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

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

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

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

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

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

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

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

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

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

Miscellaneous Income
Income from other sources is recognized when earned.

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

Financial Instruments
Financial assets and financial liabilities are accounted for as follows:

Recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

Classification and Measurement
Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2014 and 2013, the Company has no HTM investments and financial assets and liabilities at FVPL.

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

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

b. *AFS Financial Assets*
AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as securities at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

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

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

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

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

d. *Loans and Receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

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

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

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) the rights to receive cash flows from the assets have expired;

(b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or

(c) the Company has transferred its right to receive cash flows from the asset and either:
  (i) has transferred substantially all the risks and rewards of the asset, or
  (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Fair Value Measurement
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

<u>Investment in an Associate</u>
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 recognize changes in the Company's share in the net assets of the associate since acquisition date.

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

Investment properties are land held for capital appreciation or land held for currently undetermined future use. Investment properties are measured at cost, including transactions costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less any impairment in value.

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

Foreclosed properties are classified under investment properties on foreclosure date.

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

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

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

Motorcycle Inventories

The Company recognizes motorcycle inventories at the lower of cost and net realizable value (NRV) based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs to be incurred to make the sale have increased. The cost of motorcycle inventories is determined using specific identification. The excess of the cost over the net realizable value is recognized as a loss from writedown of motorcycle inventories in profit or loss.

Software Costs

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

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

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

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

Impairment of Non-financial Assets

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

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

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

Equity

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

Retained Earnings

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

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

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

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or,

d. there is a substantial change to the asset.

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

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

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

Employee Benefits

Defined Benefit Plan

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

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

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

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

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

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

Short-term Employee Benefits

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

Employee Leave Entitlement

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

Borrowing Costs

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

Income Taxes

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

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

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

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

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

Provisions

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

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

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

Contingent Assets and Contingent Liabilities

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

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

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

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 7.

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

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

To be Adopted on January 1, 2015

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

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

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

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

  - *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

  - *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40).* PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

To be Adopted on January 1, 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

    - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

    - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

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

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

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

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

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

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

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

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

To be Adopted January 1, 2018

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

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

4. Significant Accounting Judgments and Estimates

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

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

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

<u>Judgments</u>

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

(b) *Operating Leases*
Company as a Lessee
The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 23).

<u>Estimates</u>

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

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

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

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

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

(c) *Impairment of Property and Equipment, Investment Properties, Investment in an Associate and Software Cost*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

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

The carrying values of investment in an associate, property and equipment, investment properties and software costs are disclosed in Notes 10, 11, 12 and 13.

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

The carrying value of motorcycle inventories and the related loss from writedown are disclosed in Note 13.

(e) *Recognition of Deferred Tax Assets*
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 20.

(f) Estimating Useful Lives of Property and Equipment and Software Cost
The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3.

(g) Valuation of Retirement Asset
The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement asset are provided in Note 18.

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

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rate. Further details about the assumptions used are provided in Note 18.

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

5. Fair Value Measurement

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

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

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

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

Notes Payable
The carrying amounts of notes payable approximate fair values as the interest rates are repriced quarterly.

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

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

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

6. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

	2014			2013		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Receivable from customers:						
Consumer	**P741,387,854**	**P712,873,125**	**P28,514,729**	P900,377,609	P855,678,405	P44,699,204
Services	**102,295,193**	**2,041,589**	**100,253,604**	78,145,735	-	78,145,735
Construction	**1,199,301**	**-**	**1,199,301**	4,929,112	-	4,929,112
Manufacturing	**-**	**-**	**-**	723,717	-	723,717
	P844,882,348	**P714,914,714**	**P 129,967,634**	P984,176,173	P855,678,405	P128,497,768

The carrying values of cash on hand and in banks and prepaid expenses represent the maximum exposure to credit risk since these are unsecured.

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

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

**Includes investments in Golf shares*

	2013					
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Loans and other receivables						
Cash in banks	P36,305,836	P -	P -	P -	P -	P36,305,836
Receivable from customers:						
Consumer	781,268,139	-	24,275,459	414,177,847	98,846,817	1,318,568,262
Services	-	-	94,413,065	20,914,828	5,492,560	120,820,453
Construction	-	-	7,041,589	-	-	7,041,589
Manufacturing	-	-	1,033,881	-	-	1,033,881
Other receivables	-	-	21,322,555	-	949,000	22,271,555
Other assets*	-	-	80,000	-	-	80,000
	P817,573,975	P -	P148,166,549	P435,092,675	P105,288,377	P1,506,121,576

**Includes investments in Golf shares*

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

Cash in Banks

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

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.

- Medium grade pertains to receivables with no default in payment and partially secured with collateral.

- Low grade pertains to receivables with no default in payment and without security.

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

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

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

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

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

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

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

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

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

Interest Rate Risk

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

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

Sensitivity of Net Interest Income

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

7. Segment Information

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

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

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

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

	2013				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	P70,928,089	P57,967,833	P1,293,154,644	P23,446,887	P1,445,497,453
Results of operation					
Revenues					
Interest income	P19,702,999	P6,090,386	P169,520,667	P3,293,308	P198,607,360
Other income	575,059	1,199,522	7,970,637	60,963,646	70,708,864
	20,278,058	7,289,908	177,491,304	64,256,954	269,316,224
Expenses					
Interest expense	5,187,930	3,688,982	34,787,003	4,876,508	48,540,423
Provision for credit losses	2,776,062	581,749	64,979,697	-	68,337,508
Operating expenses	2,600,453	703,333	91,560,593	35,335,808	130,200,187
	10,564,445	4,974,064	191,327,293	40,212,316	247,078,118
Net operating income	9,713,613	2,315,844	(13,835,989)	24,044,638	22,238,106
Less provision for income tax	2,369,851	549,803	(545,496)	(3,239,981)	(865,823)
Net income (loss)	P7,343,762	P1,766,041	(P13,290,493)	P27,284,619	P23,103,929
Statement of financial position					
Total assets	P43,921,842	P53,669,253	P967,805,138	P227,747,750	P1,293,143,983
Total liabilities	P11,000	P8,000	P51,184,691	P902,462,563	953,666,254
Other segment information					
Capital expenditures	P -	P -	P -	P -	P -
Depreciation and amortization	P10,926	P756	P1,050,698	P2,385,035	P3,447,415

	2012				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	P63,535,968	P90,896,970	P997,246,945	P30,408,919	P1,182,088,802
Results of operation					
Revenues					
Interest income	P15,976,810	P6,944,370	P151,332,062	P2,303,409	P176,556,651
Other income	2,072,860	6,216,754	(28,204,459)	50,483,491	30,568,646
	18,049,670	13,161,124	123,127,603	52,786,900	207,125,297
Expenses					
Interest expense	3,306,734	1,718,824	29,398,858	10,053,928	44,478,344
Provision for credit losses	485,707	-	2,753,407	-	3,239,114
Operating expenses	5,732,907	2,488,796	95,927,036	20,240,731	124,389,470
	9,525,348	4,207,620	128,079,301	30,294,659	172,106,928
Net operating income	8,524,322	8,953,504	(4,951,698)	22,492,241	35,018,369
Less provision for income tax	2,187,663	1,260,007	7,608,719	(4,649,751)	6,406,638
Net income (loss)	P6,336,659	P7,693,497	(P12,560,417)	P27,141,992	P28,611,731
Statement of financial position					
Total assets	P49,032,972	P65,594,010	P861,432,724	P157,584,198	P1,133,643,904
Total liabilities	P203,664	P76,486	P46,696,598	P768,890,764	P815,867,512
Other segment information					
Capital expenditures	P -	P -	P1,450,103	P1,242,345	P2,692,448
Depreciation and amortization	P71,632	P5,221	P1,558,320	P1,970,123	P3,605,296

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

8. Cash on Hand and in Banks

This account consists of:

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

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

9. Loans and Other Receivables

This account consists of:

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

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

Loans and receivables according to product type:

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

Miscellaneous receivables consist of receivables from other non-related parties.

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

Interest rates on loans receivable ranges from 1.40% to 2.60% plus gross receipts tax. Interest income earned from receivable from customers amounted to P220.16 million and P198.57 million in 2014 and 2013, respectively.

Movements in allowance for credit losses follow:

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

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

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

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

10. Investment in an Associate

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

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

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

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

11. Property and Equipment

The rollforward analysis of this account follows:

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

	2013			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P6,414,913	P873,326	P15,359,925	P22,648,164
Additions	1,410,448	398,771	2,002,610	3,811,829
Disposals	-	-	(9,508,658)	(9,508,658)
At December 31	7,825,361	1,272,097	7,853,877	16,951,335
Accumulated Depreciation and Amortization				
At January 1	4,365,907	381,576	11,792,755	16,540,238
Depreciation and amortization	1,383,876	134,842	1,928,696	3,447,414
Disposals	-	-	(9,042,377)	(9,042,377)
At December 31	5,749,783	516,418	4,679,074	10,945,275
Carrying Amount	P2,075,578	P755,679	P3,174,803	P6,006,060

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

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

12. Investment Properties

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

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

The aggregate fair value of the investment properties of the Company amounted to P4.33 million and P3.54 million as of December 31, 2014 and 2013. No sale of investment property occurred in 2014 and 2013. The fair value of the Company's investment properties was estimated on the basis of recent sales of similar properties in the same areas taking into account the economic conditions prevailing at the time the valuations were made. The unit of comparison applied by the Company is the price per square meter. The fair value of the investment properties is based on Level 2 hierarchy.

13. Other Assets - net

This account consists of:

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

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

The movements in software costs follow:

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

14. Notes Payable

This account consists of:

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

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

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

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

15. Accrued Expenses

This account consists of:

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

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

16. Maturity Analysis of Assets and Liabilities

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

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

17. Equity

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

On July 25, 2013, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of P2,445,209 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to P2,445,298. Fractional shares related to this declaration were settled in cash amounting to P89.00.

On June 28, 2012, the BOD and stockholders approved the declaration of 1.06% stock dividends in the amount of P2,074,121 to stockholders of record as of July 26, 2012 with distribution date not later than August 20, 2012. On the same date, the BOD also approved the declaration of cash dividends amounting to P2,074,158. Fractional shares related to this declaration were settled in cash amounting to P37.00.

On March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the Securities and Exchange Commission and the PSE, on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

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

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

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

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes in 2014.

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

(a) minimum paid-up capital of P10.00 million; and

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

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

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

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

18. Retirement Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in the net retirement assets are as follows:

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

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

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

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

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

In 2014 and 2013, the cash and cash equivalent and available-for-sale investments have high grade credit quality while accrued and other receivable have standard credit quality.

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

	January 1	
	2014	2013
Discount rate	**4.49%**	6.38%
Future salary increases	**5.00%**	8.00%
Average remaining working life (in years)	**30.0**	30.2

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

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

	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+1 basis point	(P641,734)
	-1 basis point	753,702
Salary increase rates	+1 basis point	679,233
	-1 basis point	(595,005)

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

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

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

The average duration of the defined benefit plan at the end of the reporting date is 16.9 years.

19. Miscellaneous

Miscellaneous income consists of the following items:

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

Miscellaneous expenses consist of the following items:

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

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

20. Income Taxes

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

The components of deferred tax assets follow:

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

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

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

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

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

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to P1.74 million and P1.97 million in 2014 and 2013, respectively.

21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

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

Forward

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

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

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

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

22. Earnings Per Share

EPS amounts were calculated as follows:

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

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

23. Lease Commitment

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

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

24. Reclassification

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

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

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

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

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

A. Other Taxes and Licenses

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

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

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

B. Withholding taxes

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

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

C. Tax Cases

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

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
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E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

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

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

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

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

R.G. MANABAT & CO.

Carmel Lynne Balde

CARMEL LYNNE M. BALDE
Partner
CPA License No. 0099677
SEC Accreditation No. 1055-A, Group A, valid until April 30, 2015
Tax Identification No. 205-133-498
BIR Accreditation No. 08-001987-24-2014
Issued January 22, 2014; valid until January 21, 2017
PTR No. 4748098MC
Issued January 5, 2015 at Makati City

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

MAKATI FINANCE CORPORATION

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

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

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

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

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

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

REPORTS ON SEC FORM 17-C

ANNEX B

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 - C

FORM TYPE

Last Thursday of

0 7	
Month	Day

Annual Meeting

Secondary License Type, If Applicable

CRMD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **April 24, 2014**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
   Address of principal office

   1210
   Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	199,847,220

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, April 24, 2014. All of the members of the Board of Directors were present and acting throughout. The following items were discussed during the meeting:

1. Nomination Committee informed the Board that it had pre-screened and shortlisted the candidate for members of the Board of Directors to be nominated during the next Annual Stockholders' Meeting. The candidates to be nominated are as follows: Juan Carlos Del Rosario, Teresita B. Benitez, Max O. Borromeo, Rene B. Benitez, Francisco C. Eizmendi Jr., Joel S. Ferrer, Eugenio E. Reyes, Michael Wee, Eric B. Benitez , Jose V. Cruz and Lawrence Ee

2. The Board approved the 2013 Audited Financial Statements.

3. The Board scheduled the next regular Board meeting on July 31, 2014 at 3 pm.

4. The Board scheduled the Annual Stockholders' meeting on the last Thursday of July (as stated in the by-laws) July 31, 2014, at 5 pm.

5. Record date for the Annual Stockholders meeting was set on 04 July 2014.

6. The Chief Operating Officer, Ms. Cynthia M. Cagayan informed the Board that she will be retiring for the company effective 30 June 2014.

7. The Board appointed additional Chief Information Officers, as follows:
   - Joel S. Ferrer
   - Teresita B. Benitez
   - Max O. Borromeo
   - Aldrin Francis B. Pontanares
   - Wilma P. Fundan

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

Date: 24 April 2014

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

May 12, 2014

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

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

Dear Madam,

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

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
COO/Chief Information and Compliance Officer

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

COVER SHEET

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

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

(Company's Full Name)

2 ND Floor, Makati
Finance Center 7823
Makati AVe., Makati City
(Business Address : No. Street/City/Province)

CYNTHIA M. GACAYAN	897-0749
Contact Person	Company Telephone Number

1 2 / 3 1	SEC Form 17-Q	0 7 / 3 1
Month / Day	FORM TYPE	Month / Day
Fiscal Year 2014		Annual Meeting

Secondary License Type, If Applicable

C R M D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders — Domestic — Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

2. Commission identification number **28788**

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

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

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

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

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

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

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

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

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

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

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

Results of Operations/Material Changes in Financial Statement Accounts

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

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

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

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

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

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

Date ......May 12, 2014

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

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

Date ....May 12, 2014

ANNEX A

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

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

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

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

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

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

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

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

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

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

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

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.

<u>Impairment of Financial Assets</u>
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**

COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE

CORPORATION

(Company's Full Name)

2ND Floor, Makati

Finance Building 7823

Makati Ave., Makati City

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

MARCOS E. LAROSA
Contact Person

897-07-49
Company Telephone Number

Fiscal Year	Month: 12 / Day: 31
FORM TYPE	SEC Form 17 - C
Annual Meeting	Month: 07 / Day:

Annual Meeting
Every last Thursday of July

2014

Secondary License Type, If Applicable

MSRD

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. **July 31, 2014**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Makati City, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Poblacion, Makati City** **1210**
   Address of principal office Postal Code

8. **(632) 896-02-21**
   Registrant's telephone number, including area code

9. N. A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**199,847,220**

11. Indicate the item numbers reported herein:..

I. The Regular Meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFIN") was held on 31 July 2014. The following were approved by the Board of Directors:

- **a.** **Minutes of the Regular Board Meeting held on 24 April 2014.**

- **b.** **Stock Dividends amounting to 1.7341193688% of the outstanding capital stock equivalent to a maximum of 3,465,589.35 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of 28 August 2014 with a payment date not later than 23 September 2014. Fractional shares shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of 28 August 2014.**

c. **Cash Dividends in the amount of 3,465,589.35 or an equivalent of P0.0173411936 per share (1.7341193688%) to stockholders of record as of 28 August 2014 with a payment date of 23 September 2014. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2013.**

d. **The Next Board meeting was scheduled on 6 November 2014 (Thursday) at 3:00 p.m.**

II. The Annual Stockholders' Meeting was held after the Regular Board of Directors meeting. The following were approved by the Stockholders of the Corporation:

a. **Minutes of the Annual Stockholders' Meeting held on 25 July 2013.**

b. **The 2013 Annual Report and 2013 Audited Financial Statements.**

c. **Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the immediately previous Annual Shareholder's Meeting of 25 July 2013.**

d. **Elections of Directors of the Corporation. The following were elected as Directors of the Corporation for a term of one (1) year or until their successors shall have been elected:**

JUAN CARLOS DEL ROSARIO
TERESITA B. BENITEZ
MAX O. BORROMEO
RENE B. BENITEZ
FRANCISCO C. EIZMENDI, JR.
JOEL S. FERRER
EUGENIO E. REYES
MICHAEL WEE
JOSE V. CRUZ
ERIC B. BENITEZ
LAWRENCE EE

Atty. Eugenio E. Reyes and Mr. Francisco C. Eizmendi, Jr. were elected as independent directors.

e. **Appointment of R.G. MANABAT & CO. as the Corporation's External Auditor for the Year 2014.**

f. **Stock Dividends amounting to 1.7341193688% of the outstanding capital stock equivalent to a maximum of 3,465,589.35 shares of stock, to stockholders of record as of 28 August 2014 with a payment date not later than 23 September 2014. The stock dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2013 and shall be issued out of the un-issued capital stock. Fractional shares shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of 28 August 2014.**

g. **Cash Dividends in the amount of 3,465,589.35 or an equivalent of P0.0173411936 per share (1.7341193688%) to stockholders of record as of 28 August 2014 with a payment date of 23 September 2014. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2013.**

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

h. **During the said meeting, the stockholders also duly approved the amendment of the Articles of Incorporation to reflect the specific address of the principal office of the Corporation in compliance with the rules of the Securities and Exchange Commission.**

III. The Organizational Meeting of the Board of Directors was held immediately after the Annual Stockholders Meeting, where in the following officers and committee chairmen/members were elected.

a. **OFFICERS:**

Mr. Rene B. Benitez - Chairman
Ms. Teresita B. Benitez - Vice-Chairperson
Mr. Max O. Borromeo - President
***Mr. Maxcy Francisco Jose R. Borromeo - Chief Operating Officer**
***Mr. Marcos E. Larosa – Chief Finance Officer**
Mr. Joel S. Ferrer - Treasurer
Atty. Danilo Enrique O. Co - Corporate Secretary
Mr. Servando B. Alvarez, Jr. - Assistant Treasurer

**** Additional Chief Information Officer/Compliance Officer effective 31 July 2014.***

b. **Corporate Governance Committees:**

Executive Committee	Audit Committee
Mr.Max O. Borromeo, Chairman Mr. Juan Carlos Del Rosario Ms. Teresita B. Benitez Mr. Rene B. Benitez Mr. Lawrence Ee	Francisco C. Eizmendi Jr.*, Chairman Ms. Teresita B. Benitez Mr. Juan Carlos Del Rosario Mr. Lawrence Ee
Compensation Committee	**Nomination Committee**
Atty. Eugenio E. Reyes*, Chairman Mr. Juan Carlos Del Rosario Mr. Jose V. Cruz Mr. Eric B. Benitez	Ms.Teresita B. Benitez, Chairperson Mr. Rene B. Benitez Mr. Max O. Borromeo Mr. Eric B. Benitez Mr. Michael Wee
	** Independent Directors*

SIGNATURES

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

Date: July 31, 2014

MAKATI FINANCE CORPORATION
Registrant

BY:

MR. MARCOS E. LAROSA
Chief Finance Officer/CIO

COVER SHEET

2 8 7 8 8

S.E.C. Registration Number

M A K A T I F I N A N C E

C O R P O R A T I O N

(Company's Full Name)

2 ND Floor, Makati

Finance Building 7823

Makati AVe., Makati City

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

MARCOS E. LAROSA	897-0749
Contact Person	Company Telephone Number

1 2 / 3 1	SEC Form 17-Q	0 7 /
Month / Day	FORM TYPE	Month / Day
Fiscal Year		Annual Meeting
2014		Every last Thursday of July
	Secondary License Type, If Applicable	

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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 **June 30, 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 June 30, 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 June)

	2014	*2013*
GROSS MARGIN	77.42%	72.17%
EBIT MARGIN	62.01%	58.92%
RETURN ON ASSETS(annualized)	5.61%	4.79%
DEBT TO EQUITY	243.32%	329.08%
RETURN ON EQUITY(annualized)	9.55%	8.30%

Gross margin increased by 5.25%, 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, increased to 62.01% in June 2014 as against 58.92% in June 2013 as a result of the company's thrust to produce higher quality loan portfolio with lower interest yield. Return on assets was 5.61% in 2014 as against 4.79% 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 9.55% in June 2014 as against 8.30% in June 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 Corporation (MFC) 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, furniture and service units (motorcycles) for the CSRs. The Company continued to spend its resources on computerization of financial system and on IT financial infrastructure.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱ 29.5 million for the second quarter of 2014. Net interest income for the quarter ending June amounted to ₱ 47.97 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, transportation, loss from write down of MC inventories, and higher gross receipts tax contributed to the increase in the operating expenses as of June 30, 2014. 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 ₱1,282.1 million, of which current assets were at ₱1,004.8 million. The decrease is primarily due to the dividends received from an associate amounting to Php 36m which was recorded as a reduction in Investment. Total liabilities amounting to ₱908.7 million as of June 30, 2014 declined from ₱953.7 million from December 2013 due to significant loan payments and reduction in loan releases as of June 30,2014 as a result of the Company's stricter credit investigation policies.

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 June 30, 2014.

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 CHAIRPERSON**..........................

Date ...... August 13, 2014

Principal Financial/Accounting Officer/Controller......... **MARCOS E. LAROSA**........................

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

Date .... August 13, 2014

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending June 30, 2014
With Comparative Figures for 2013

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING JUNE 30, 2014 AND DECEMBER 31, 2013

	JUNE 30, 2014	**DEC. 31, 2013 (Audited)**
Current Assets:		
Cash on Hand/in Banks	50,561,194	47,982,524
Short Term Investments	80,000	80,000
Receivables *(Note 1)*	954,258,114	984,176,173
Total Current Assets	1,004,899,308	1,032,238,697
Investment Properties	2,604,468	2,604,468
Investment in Associates *(Note 4)*	137,634,595	150,756,840
Property & Equipment - net *(Note 2)*	6,733,427	6,006,060
Deferred Tax Asset	13,924,039	13,381,786
Other Assets - net *(Note 3)*	116,323,944	88,156,131
Total Assets	**1,282,119,781**	**1,293,143,982**

	JUNE 30, 2014	**DEC. 31, 2013 (Audited)**
Current Liabilities:		
Notes Payable *(Note 5)*	864,453,173	891,328,351
Accrued Expenses	19,980,775	11,643,615
Other Payables	24,234,030	50,747,352
Total	908,667,978	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	132,567,335	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	34,027,138	23,103,929
Total	373,451,803	339,424,664
Total Liabilities and Capital	**1,282,119,781**	**1,293,143,982**

MAKATI FINANCE CORPORATION
INTERIM STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING JUNE 30, 2014 AND 2013

	FOR 3 MONTHS ENDING		FOR 6 MONTHS ENDING	
	2014-June 30	2013-June 30	2014-June 30	2013-June 30
Interest Income – Loans	60,131,903	47,058,925	115,928,524	94,664,410
Interest Income - Short-term Investments				
Cost of Borrowings	12,165,155	13,208,768	26,176,313	26,346,875
Net Interest Income	47,966,748	33,850,157	89,752,211	68,317,535
Less: Provisions	568,028	713,212	3,288,212	1,229,139
Net Interest Income	47,398,720	33,136,945	86,463,999	67,088,396
Other Income	27,379,581	14,302,969	31,059,838	16,472,445
Operating Expenses				
Professional/Management Fees and Bonus	1,694,580	1,539,262	3,326,813	3,165,062
Salaries and Wages	14,369,832	13,191,371	27,867,133	22,336,520
Transportation and Representation	4,042,431	2,818,885	7,102,981	5,341,740
Depreciation and Amortization	1,123,144	1,237,277	2,246,288	2,371,700
Commissions	673,701	1,382,945	1,557,734	2,425,528
Loss from sale and write-down of MC inventories	12,260,107	397,980	20,493,300	3,547,419
Other Employee Benefits	115,170	264,683	161,640	264,683
Communication and Utilities	1,088,400	974,266	1,909,000	1,249,208
Rent Expense	1,054,801	575,777	2,093,878	1,681,022
Taxes, Licenses, Permits and fees	4,362,063	2,688,800	6,732,038	5,446,824
Other Operating Expenses	2,845,350	1,041,053	5,227,586	7,443,146
Total	43,629,579	26,112,300	78,718,391	55,272,852
Net Income Before Income Tax	**31,148,721**	**21,327,615**	**38,805,445**	**28,287,989**
Provisions for Tax/Deferred Tax Adjustment	1,665,235	4,592,099	4,778,307	6,681,411
Net Income	**29,483,486**	**16,735,516**	**34,027,138**	**21,606,578**
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**29,483,486**	**16,735,516**	**34,027,138**	**21,606,578**
RETIANED EARNINGS, BEGINNING	132,567,335	46,562,718	**132,567,334**	**46,562,718**
RETAINED EARNINGS, QUARTER/YEAR-END	162,050,821	63,298,234	**166,594,472**	**68,169,296**
BASIC EARNINGS PER SHARE	**0.15**	**0.08**	**0.17**	**0.11**

***As of June 30, 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
INTERIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING JUNE 30, 2014 AND 2013

	2014 30-June	2013 30-June
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	38,805,445	28,287,989
Adjustments for:		
Provisions for probable losses	23,781,513	1,229,139
Depreciation and amortization	2,246,288	2,371,700
Dividend Income		(10,800,000)
Share in the net income of an associate	(22,877,755)	
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	26,629,846	(148,604,051)
Other Assets	(49,203,367)	47,638,565
Increase (decrease) in the amounts of:		
Accrued Expenses Payable	5,685,929	10,363,706
Other Payable	(25,401,401)	16,952,571
Net cash provided by (used in) operating activities	**(333,502)**	**(52,560,381)**
Interest Expense Paid		
Income Tax Paid	(3,238,995)	(3,600,218)
Net Cash provided by (used in) operating activities	**(3,572,497)**	**(56,160,599)**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(2,973,655)	(1,659,950)
Pre-termination of short-term money market placement	-	
Cash Dividends from AIB	36,000,000	10,800,000
Proceeds from Sale of Property and Equipment	-	
Net cash provided by (used in) investing activities	**33,026,345**	**9,140,050**
Cash Flow From FINANCING Activities		
Cash dividend paid		
Loan Availments (net of Pre-termination)	(26,875,178)	44,756,910
Net cash provided by (used in) financing activities	**(26,875,178**	**44,756,910)**
Net cash provided by (used in) Cash and Cash Equivalents	**2,578,670**	**(2,263,639)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,982,254	28,259,851
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**50,561,194**	**25,996,212**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING JUNE 30, 2014 AND 2013 AND DECEMBER 31, 2013

	June 30, 2014	Dec. 31, 2013	June 30, 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	132,567,335	114,353,912	46,562,718
Adjustment to RE			
Stock dividends		(2,445,209)	
Cash dividends		(2,445,298)	
Total Comprehensive Income	34,027,138	23,103,929	21,606,577
Balance, end of quarter/year	**166,594,472**	**132,567,334**	**68,169,295**
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	**373,451,803**	**339,424,664**	**271,215,228**

MAKATI FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. General Information

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

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

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

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
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'.

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

<u>Presentation of Financial Statements</u>
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.

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

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

<u>Cash on Hand and In Banks</u>
Cash includes cash on hand and in banks.

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

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

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

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

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

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

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

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

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

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

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on valuation methodologies whose variables

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

Financial 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 write-down 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) *Write-down of motorcycle inventories*

The Company recognizes loss on write-down 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 write-down are disclosed in Note 12.

(d) *Recognition of deferred tax assets*

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

(e) *Estimating useful lives of property and equipment, investment properties and software cost*

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

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

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

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

4. Fair Value Measurement

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

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

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

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

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

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

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

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

5. Financial Risk Management Objectives and Policies

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

Credit Risk

Credit risk management and collateral and other credit enhancements

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

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

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

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

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

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

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

	2013			2012		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and other receivables						
Receivable from customers:						
Consumer	**₱900,377,609**	**₱855,678,405**	**₱44,699,204**	₱711,150,138	₱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	₱156,691,902

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

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

Equity

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

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

	2013		2012		2011	
	Number of Shares	Amount	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares						
At January 1	197,402,011	₱197,402,011	195,327,890	₱195,327,890	193,474,645	₱193,474,645
Stock dividends	2,445,209	2,445,209	2,074,121	2,074,121	1,853,245	1,853,245
At December 31	197,773,099	₱197,773,099	197,402,011	₱197,402,011	195,327,890	₱195,327,890

Capital Management

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

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

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

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

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

1. **Receivables**

Receivables consist of:

	June 2014	December 2013(Audited)
Loans receivable	1,414,258,945	1,447,464,185
Others	8,594,530	22,271,555
	1,422,853,475	1,469,735,740
Unearned interest income/discount	(416,559,842)	(433,996,128)
Client's equity	(15,523,218)	(17,390,350)
Allowance for credit losses	(36,512,301)	(34,173,089)
	954,258,114	984,176,173

2. **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	933,941	111,140	1,201,207	2,246,288
Balance, June 30, 2014	8,759,302	1,383,237	9,055,084	19,197,623

Accumulated Depreciation and Amortization				
Balance, January 1, 2014	5,749,783	516,418	4,679,074	10,945,275
Depreciation and amortization	423,194	82,316	1,013,511	1,519,021
Balance, June 30, 2014	6,172,977	598,734	5,692,585	12,464,296
Net Book Value				
June 30, 2014	**2,586,325**	**784,503**	**3,362,499**	**6,733,327**
Net Book Value				
Dec. 31, 2013(Audited)	**2,075,578**	**755,679**	**3,174,803**	**6,006,060**

3. Other Assets

This account consists of:

	June 2014	Dec.2013 (Audited)
Computer Software	295,971	670,204
Prepaid Expenses	1,722,648	1,137,384
Motorcycle Inventories	113,695,595	86,203,759
Retirement on Assets	144,784	144,784
Miscellaneous	464,946	-
	116,323,944	88,156,131

4. Investment in an Associate

As of June 30, 2014 and December 31, 2013, investments in associate pertains to investments in 36% shares of stock of AIB.

	June 2013	Dec.2013 (Audited)
At cost	**₱75,000,000**	₱75,000,000
Accumulated equity in net earnings		
Balance at the beginning of the year	**75,756,840**	67,036,732
Share in net income	**22,877,755**	41,120,108
Dividends	**(36,000,000)**	(32,400,000)
Share in OCI	–	–
Balance at the end of the year	**62,634,595**	75,756,840
	₱137,634,595	₱150,756,840

5. 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 2014 and from 5.50% to 6.50% per annum in 2013.

6. Stockholders' Equity

On July 25, 2013, the BOD and stockholders approved the declaration of 1.2387177150% stock dividends in the maximum amount of ₱2,445,209 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,445,253.68. Fractional shares related to this declaration were settled in cash amounting to ₱44.68.

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 ₱76.00.

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 ₱48.00

On June 19, 2008, the BOD approved the declaration of 2.51% stock dividends in the aggregate amount of ₱2,257,147 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 ₱35.00.

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 declaration of 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
JUNE 30, 2014

	2014 June 30	2013 June 30
Solvency and Liquidity Ratios		
Current ratio	110.59%	119.27%
Debt to equity ratio	243.32%	329.08%
Quick ratio	114.80%	121.62%
Profitability Ratios		
Return on assets	5.61%	4.79%
Return on equity	9.55%	8.30%
Net profit margin	62.01%	58.92%
Asset to Equity Ratio	343.32%	429.08%
Interest Rate Coverage Ratio	292.67%	225.04%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.20%	0.22%
Total receivables to total assets	74.43%	82.79%
Total DOSRI receivables to Networth	1.88%	4.40%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	0.11%	0.22%
Honda Motor World, Inc.	6.85%	4.93%
Motor Ace Philippines, Inc..	3.55%	4.89%

AGING OF RECEIVABLES

AS OF JUNE 30, 2014

CLASSIFICATION	TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-150 DAYS	> 150 DAYS
A. Trade Receivables							
Loans Receivable (Principal)*							
As to Maturity Date:							
Within 1 year or less		-	-	-	-	-	-
Maturity after 1 year		-	-	-	-	-	-
Loan Receivables	982,175,885	912,855,738	18,373,063	11,802,320	8,088,863	10666637	20,389,264
SUB-TOTAL	982,175,885	912,855,738	18,373,063	11,802,320	8,088,863	10,666,637	20,389,264
Less: Allowance for Doubtful Accounts**	36,512,301						36,512,301
Net Trade Receivables	945,663,584	912,855,738	18,373,063	11,802,320	8,088,863	10,666,637	-16,123,037
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
As to Maturity Date:							
Within 1 year or less**			-	-	-	-	-
Maturity after 1 year	8,594,530	8,594,530	-	-	-	-	-
SUB-TOTAL	8,594,530	8,594,530	-	-	-	-	-
Less: Allowance for Doubtful Accounts			-	-	-	-	
Net Non-Trade Receivables	8,594,530	8,594,530	-	-	-	-	-
NET RECEIVABLES	954,258,114	921,450,268	18,373,063	11,802,320	8,088,863	10,666,637	-16,123,037

*Principal=Gross Promissory Note - Unearned Interest & Discount/Clients' Equity

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

111072014000899

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000028788
Company Name	MAKATI FINANCE CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111072014000899
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	November 06, 2014
No. of Days Late	0
Department	CFD
Remarks	W/ LETTER

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

November 6, 2014

The Markets & Securities Regulation Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention : **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

The Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting held today, November 6, 2014 at Makati Shangri-la Hotel.

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

Very truly yours,

MAKATI FINANCE CORPORATION

BY:

MARCOS E. LAROSA
CHIEF FINANCE OFFICER

COVER SHEET

		2	8	7	8	8			

S.E.C. Registration Number

M A K A T I   F I N A N C E

C O R P O R A T I O N

(Company's Full Name)

2 ND Floor, Makati

Finance Center 7823

Makati Ave., Makati City

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

MARCOS E. LAROSA
Contact Person

897- 0749
Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

2014

SEC Form 17 - C

FORM TYPE

0	7			

Month *Day*

Annual Meeting

Every last Thursday of July

Secondary License Type, If Applicable

M S R D

~~C R M D~~

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

103
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **November 6, 2014**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
   Address of principal office

   1210
   Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	203,312,773

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, November 6, 2014, at which at least a majority of the members of the Board of Directors was present and acting throughout.

The Board approved the proposal of Management to write-off identified bad Accounts not to go over Php 30, 000,000.00. The write off will be done in December 2014.

The Board also approved the disposal/destruction of repossessed motorcycle units that are totally wrecked with an approximate amount of Php 10,000,000 to be witnessed by the Bureau of Internal Revenue representatives. The disposal of these units will be done on or before December 31, 2014.

The next Board meeting was later set on January 28, 2014 at 3 o'clock in the afternoon.

SIGNATURE

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
CHIEF FINANCE OFFICER/CIO

Date: 06 November 2014

cc: *Disclosure Department*
Listing and Disclosure Group
Philippine Stock Exchange

111182014001370

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000028788
Company Name	MAKATI FINANCE CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111182014001370
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2014
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

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S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

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

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

MARCOS E. LAROSA

Contact Person

897-0749

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

2014

SEC Form 17-Q

FORM TYPE

0 7

Month *Day*

Annual Meeting

Every Last Thursday of July

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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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 **September 30, 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	**203,312,773***

**as reported by the stock transfer agent as of September 30, 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 September 30)

	2014	*2013*
GROSS MARGIN	75.97%	71.63%
EBIT MARGIN	47.28%	57.57%
RETURN ON ASSETS(annualized)	6.37%	6.67%
DEBT TO EQUITY	241.43%	348.29%
RETURN ON EQUITY(annualized)	8.12%	9.11%

Gross margin increased by 4.34%, which is computed by deducting the cost of borrowings 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, declined to 47.28% in September 2014 as against 57.57% in September 2013 due to additional provisions on write down of repossessed motorcycle inventories. These provisions are expected to be recovered upon re-assumption of loan related to repossessed units. Return on assets was 6.37% in 2014 as against 6.67% 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 8.12% in September 2014 as against 9.11% in September 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 Corporation (MFC) has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction. The Company also obtains other bank lines for possible cash inflow. The Company's acquired assets are being offered at competitive 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.

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 is continuously implementing its geographical expansion plans for the Motorcycle Financing in line with our trading partners. As for any expansion, there is a need to invest in buying new office equipment, furniture and service units (motorcycles) for the field personnel. The Company is also undergoing software selection process to enhance its financial and loan system infrastructure.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱ 28.58 million as of end of September 30, 2014. Net interest income for the quarter ending September amounted to ₱ 51.78 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, transportation, and provisions on write down of repossessed motorcycle inventories contributed to the increase in the operating expenses as of September 30, 2014. On matters of provisioning for doubtful accounts, 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 ₱1.245 million, of which current assets were at ₱ 909.5 million. The decrease is primarily due to extensive collection efforts implemented by the Company and a reduction in new loan releases resulting from stricter credit investigation guidelines to enhance the quality of new accounts. Total liabilities amounted to ₱880.12 million as of September 30, 2014 which declined from P953.7 million from December 2013 due to significant loan payments and reduction in new loan releases as of September 30, 2014 as discussed above.

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, 2014.

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 CHAIRPERSON...............................

Date ......November 17, 2014

Principal Financial/Accounting Officer/Controller..........................MARCOS E. LAROSA........................

Signature and Title..Chief ~~Finance Officer/CIO~~..................

Date .... November 17, 2014

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending September 30, 2014
With Comparative Figures for 2013

	SEPT.30, 2014 (Unaudited)	DEC. 31, 2013 (Audited)
Current Assets		
Cash on Hand/in Banks	36,367,293	47,982,524
Short Term Investments	80,000	80,000
Receivables *(Note 6)*	873,080,846	984,176,173
Total Current Assets	909,528,139	1,032,238,697
Investment Properties	2,604,468	2,604,468
Investment in Associates *(Note 9)*	141,195,672	150,756,840
Property & Equipment - net *(Note 7)*	6,197,972	6,006,060
Deferred Tax Asset	25,810.714	13,381,786
Other Assets - net *(Note 8)*	159,329,961	88,156,131
Total Assets	**1,244,666,927**	**1,293,143,982**

	SEPT.30, 2014 (Unaudited)	DEC. 31, 2013 (Audited)
Current Liabilities		
Notes Payable*(Note 10)*	825,574,373	891,328,351
Accrued Expenses	25,040,628	11,643,615
Other Payables	29,510,038	50,747,352
Total	880,125,039	953,719,318
Stockholder's Equity		
Capital Stock – P1 par value		
Authorized – 300,000,000 shares		
Issued and Outstanding	203,312,773	199,847,220
Additional Paid in Capital	5,803,922	5,803,922
Retained Earnings	125,636,157	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	28,582,848	23,103,929
Total	**364,541,888**	**339,424,664**
Total Liabilities and Capital	**1,244,666,927**	**1,293,143,982**

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING SEPTEMBER 30, 2014 AND 2013

	FOR 3 MONTHS ENDING		FOR 9 MONTHS ENDING	
	2014-Sept.30	2013-Sep.30	2014-Sept.30	2013-Sep.30
Interest Income – Loans	51,788,434	45,930,729	167,716,958	140,595,139
Cost of Borrowings	14,127,041	13,535,483	40,303,354	39,882,358
Net Interest Income	37,661,393	32,395,246	127,413,604	100,712,781
Less: Provisions for doubtful accounts	4,722,919	817,897	8,011,131	2,047,036
Net Interest Income	32,938,474	31,577,349	119,402,473	98,665,745
Other Income	8,289,505	3,432,130	39,349,343	19,904,575
Operating Expenses				
Professional/Management Fees and Bonus	6,635,176	3,225,575	9,961,989	6,390,637
Salaries and Wages	13,881,205	13,795,100	41,748,338	36,131,620
Transportation and Representation	2,070,080	2,327,123	9,173,061	7,668,863
Depreciation and Amortization	616,486	1,355,395	2,862,774	3,727,095
Commissions	619,000	1,446,922	2,176,734	3,872,450
Provision for writedown of MC inventories	18,783,106	713,272	39,276,406	4,260,691
Other Employee Benefits	83,947	196,380	245,587	461,063
Communication and Utilities	1,048,361	783,825	2,957,361	2,033,033
Rent Expense	1,422,593	942,917	3,516,471	2,623,939
Taxes, Licenses, Permits and fees	2,761,984	2,950,840	9,494,022	8,397,664
Other Operating Expenses	2,609,774	2,905,128	7,837,361	10,348,274
Total	50,531,712	30,642,477	129,250,103	85,915,329
Net Income (Loss) Before Income Tax	**(9,303,733)**	**4,367,002**	**29,501,712**	**32,654,991**
Provisions for Tax/Deferred Tax Adjustment	(3,859,443)	2,273,021	918,864	8,954,432
Net Income	**(5,444,290)**	**2,093,981**	**28,582,848**	**23,700,559**
Other Comprehensive Income	0	-	0	-
Total Comprehensive Income	**(5,444,290)**	**2,093,981**	**28,582,848**	**23,700,559**
BASIC EARNINGS PER SHARE	**(0.03)**	**0.01**	**0.14**	**0.12**

***As of September 30, 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
UNAUDITED INTE RIM CASH FLOW STATEMENTS

FOR THE PERIOD ENDING SEPTEMBER 30, 2014 AND 2013

	2014 30-Sept.	2013 30-Sept.
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	29,501,712	32,654,991
Adjustments for:		
Provisions for probable losses	47,287,537	2,047,036
Depreciation and amortization	2,862,774	3,727,095
Dividend Income		(10,800,000)
Share in the net income of an associate	(26,438,832)	
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	103,084,196	(210,768,051)
Other Assets	(122,879,164)	67,961,151
Increase (decrease) in the amounts of:		
Accrued Expenses Payable	13,397,013	11,125,378
Other Payable	(16,886,119)	13,985,821
Net cash provided by (used in) operating activities	**(29,929,117)**	**(90,066,579)**
Income Tax Paid	(5,270,059)	(4,199,819)
Net Cash provided by (used in) operating activities	**24,659,058**	**(94,266,398)**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(3,054,687)	(2,022,188)
Pre-termination of short-term money market placement	-	
Cash Dividends from AIB	36,000,000	10,800,000
Proceeds from Sale of Property and Equipment	-	
Net cash provided by (used in) investing activities	**32,945,313**	**8,777,812**
Cash Flow From FINANCING Activities		
Cash dividend paid	(3,465,624)	(2,445,296)
Loan Availments (net of Pre-termination)	(65,753,978)	96,146,026
Net cash provided by (used in) financing activities	**(69,219,602)**	**93,700,730**
Net cash provided by (used in) Cash and Cash Equivalents	**(11,615,231)**	**8,212,144**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,982,524	28,259,851
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**36,367,293**	**36,471,995**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDING SEPTEMBER 30, 2014 AND 2013 AND DECEMBER 31, 2013

	Sept. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)	Sept. 30, 2013 (Unaudited)
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	199,847,220	197,402,011	197,402,011
Stock dividends	3,465,553	2,445,209	2,445,209
Issuance during the year			
	203,312,773	**199,847,220**	**199,847,220**
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	(3,465,553)	(2,445,209)	(2,445,209)
Cash dividends	(3,465,624)	(2,445,298)	(2,445,298)
Total Comprehensive Income	28,582,848	23,103,929	23,700,558
Balance, end of quarter/year	**154,219,005**	**132,567,334**	**65,372,769**
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	**364,541,888**	**339,424,664**	**270,863,913**

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 for the year ended December 31, 2013 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. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Company recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.
Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial instruments measured at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes

transaction costs. The Company classifies its financial instruments in the following categories: Financial assets at FVPL, AFS investments, held-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 September 30, 2013 and December 31, 2013, the Company has no outstanding financial assets and liabilities at FVPL and HTM investments.

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

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

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

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

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

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

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

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains or losses arising from the fair valuation of AFS investments are excluded from reported income and are reported as 'Net unrealized loss on AFS investments' in Other Comprehensive Income.
When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in the statement of comprehensive income. Dividends earned are recognized in the statement of comprehensive income when the Company's right to receive payment is established. Impairment losses arising from impairment of such investments are recognized in the statement of comprehensive income.

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

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

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 non discounted 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

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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, carry forward 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 carry forward 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 obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement asset are provided in Note 17.
In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

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

4. Fair Value Measurement

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

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

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

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

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

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

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

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

5. Financial Risk Management Objectives and Policies

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

Credit Risk

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

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

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

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

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

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

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

	2013			2012		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and other receivables						
Receivable from customers:						
Consumer	**₱900,377,609**	**₱855,678,405**	**₱44,699,204**	₱711,150,138	₱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 September 30, 2014 and December 31, 2013 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	**36,305,836**	–	–	–	–	**36,305,836**
Receivable from customers:						
Consumer	**781,268,139**	–	**24,275,459**	**414,177,847**	**98,846,817**	**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**
	₱817,573,875	**₱**	**148,086,550**	**₱435,092,674**	**₱105,538,377**	**1,506,291,576**

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	₱166,702,431	₱93,662,717	₱53,239,031	₱39,300,744	₱61,272,924	₱414,177,847
Services	18,641,875	1,316,875	956,077	–	–	20,914,827
	₱185,344,306	₱94,979,592	₱54,195,108	₱39,300,744	₱61,272,924	₱435,092,674

	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.

6. Receivables

Receivables consist of:

	September 30 2014 (Unaudited)	December 2013 (Audited)
Loans receivable	1,291,994,020	1,447,464,185
Others	8,353,517	22,271,555
	1,300,347,537	1,469,735,740
Unearned interest income/discount	(368,749,346)	(433,996,128)
Client's equity	(17,282,126)	(17,390,350)
Allowance for credit losses	(41,235,220)	(34,173,089)
	873,080,846	984,176,173

7. 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	7,825,360	1,272,097	7,853,877	16,951,334
Additions	1,728,972	111,141	1,200,208	3,040,320
Balance, Sept. 30, 2014	9,554,333	1,383,238	9,054,084	19,991,655
Accumulated Depreciation and Amortization				
Balance, January 1, 2014	5,766,952	516,418	4,661,905	10,945,275
Depreciation and amortization	1,178,912	123,475	1,546,021	2,848,408
Balance, Sept. 30, 2014	6,945,864	639,893	6,207,926	13,793,683
Net Book Value				
Sept.30, 2014	**2,608,469**	**743,344**	**2,846,158**	**6,197,972**
Dec. 31, 2013(Audited)	**2,075,578**	**755,679**	**3,174,803**	**6,006,060**

8. Other Assets

This account consists of:

	September 2014 (Unaudited)	December 2013 (Audited)
Motorcycle Inventories	155,914,715	86,203,759
Prepaid Expenses	1,946,290	1,137,384
Computer Software	859,228	670,204
Miscellaneous	609,728	144,784-
	159,329,961	88,156,131

9. Investment in an Associate

As of Sept. 30, 2014 and December 31, 2013, investments in associate pertains to investments in 36% shares of stock of AIB

	September 2014 (Unaudited)	December 2013 (Audited)
At cost	**₱75,000,000**	₱75,000,000
Accumulated equity in net earnings		
Balance at the beginning of the year	**75,756,840**	67,036,732
Share in net income	**26,438,832**	41,120,108
Dividends	**(36,000,000)**	(32,400,000)
Share in OCI	–	–
Balance at the end of the year	**66,195,672**	75,756,840
	₱141,195,672	₱150,756,840

10. 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 2014 and from 5.44% to 7.75% 2011.

11. 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 declaration of 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
SEPTEMBER 30, 2014

	2014	2013
Solvency and Liquidity Ratios		
Current ratio	103.34%	120.46%
Debt to equity ratio	241.43%	348.29%
Quick ratio	108.25%	123.16%
Profitability Ratios		
Return on assets	6.73%	6.67%
Return on equity	8.12%	9.11%
Net profit margin	47.28%	57.57%
Asset to Equity Ratio	341.43%	448.29%
Interest Rate Coverage Ratio	208.10%	217.29%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.21%	0.21%
Total receivables to total assets	70.15%	84.40%
Total DOSRI receivables to networth	1.86%	4.32%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	0.13%	0.07%
Honda Motor World, Inc.	8.16%	4.61%
AR MAPI	4.23%	4.53%

AGING OF RECEIVABLES

AS OF SEPTEMBER 30, 2014

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-150 DAYS	> 150 DAYS
A. Trade Receivables						
Loans Receivable (Gross PN Value)*						
As to Maturity Date:						
Within 1 year or less	-	-	-	-	-	-
Maturity after 1 year	-	-	-	-	-	-
Loan Receivables	825,096,708	16,359,020	10,676,115	5,025,493	12,966,630	35,838,583
SUB-TOTAL	**825,096,708**	**16,359,020**	**10,676,115**	**5,025,493**	**12,966,630**	**35,838,583**
Less: Allowance for Doubtful Accounts**						41,235,220
Net Trade Receivables	**825,096,708**	**16,359,020**	**10,676,115**	**5,025,493**	**12,966,630**	**-5,396,637**

***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	91-150 DAYS	> 150 DAYS
B. Non-Trade Receivables						
Due from Subsidiaries/Affiliates						
As to Maturity Date:						
Within 1 year or less**		-	-	-	-	-
Maturity after 1 year	8,353,517	-	-	-	-	-
SUB-TOTAL	**8,353,517**	-	-	-	-	-
Less: Allowance for Doubtful Accounts		-	-	-	-	
Net Non-Trade Receivables	**8,353,517**	-	-	-	-	-
NET RECEIVABLES	**833,450,225**	**16,359,020**	**10,676,115**	**5,025,493**	**12,966,630**	**-5,396,637**

*Principal= Gross Promissory Note – Unearned Interest & Discount/Clients Equity
**Allowance for doubtful accounts is for principal only. (Please see notes on Receivables)

ANNUAL CORPORATE GOVERNANCE REPORT (ACGR) - 2014

ANNEX C

101142015003042

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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Industry Classification	
Company Type	Stock Corporation

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Remarks	ACGR

COVER SHEET

		2	8	7	8	8			

S.E.C. Registration Number

MAKATI FINANCE

CORPORATION

(Company's Full Name)

2 ND Floor, Makati

Finance Center 7823

Makati Ave., Makati City

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

MARCOS E. LAROSA
Contact Person

897- 0749
Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

2014

ACGR
FORM TYPE

Last Thursday of

0	7			

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

C	R	M	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders | Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **MAKATI FINANCE CORPORATION**

3. **7823 MAKATI AVENUE, POBLACION, MAKATI CITY** — **1210**
   Address of Principal Office — Postal Code

4. SEC Identification Number **28788**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **000-473-966**

7. **(0632) 896-02-21**
   Issuer's Telephone number, including area code

8. **N/A**
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Lawrence Ee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	31 July 2014	31 July 2014	ASM	1year
Juan Carlos Del Rosario	(NED)	Amalgamated Investment Bancorpo ration (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	31 July 2014	ASM	18 years
Rene B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	31 July 2014	ASM	18 years
Max O. Borromeo	(ED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	9 Mar. 2000	31 July 2014	ASM	14 years
Teresita B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	28 Mar. 2001	31 July 2014	ASM	13 years
Michael Wee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	31 July 2014	ASM	16 years
Joel S. Ferrer	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	31 July 2014	ASM	16 years
Eric B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates f the Nomination Committee	25 Mar. 1998 up to 28 Mar. 2001, and 23 Jun. 2011 up to present	31 July 2014	ASM	6 years
Francisco C. Eizmendi Jr	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	14 June 2007	31 July 2014 served as ID for 7 years	ASM	7 years
Eugenio E. Reyes	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	16 Oct. 2003	31 July 2014 served as ID for 11 years	ASM	11 years
Jose V. Cruz	(NED)	Amalga-mated Investment Bancorpo-ration (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	24 June 2010	31 July 2014	ASM	4 years

[1] Mr. Lawrence Ee replaces Mr. Isidro B. Benitez in July 31, 2014.

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Corporation's Manual of Corporate Governance embodies the general policy that The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The Manual is aimed at increasing transparency and accountability in a company's operation. It prescribes standards for board governance, qualifications and responsibilities of the board chairman, chief executive officer and the board of directors.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders (Creditors, Industry, Customers, Community and Employees). The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

(c) How often does the Board review and approve the vision and mission?

The Board of Directors regularly reviews the Vision and Mission Statements of the Corporation.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
LAWRENCE EE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
TERESITA B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
RENE B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
MAX O. BORROMEO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
ERIC B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JOSE V. CRUZ	AMALGAMATED INVESTMENT BANCORPORATION	EXECUTIVE DIRECTOR
MICHAEL WEE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JUAN CARLOS DEL ROSARIO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
N/A	N/A	N/A

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
N/A	N/A	N/A

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines: **NONE**

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NONE	NONE
Non-Executive Director	NONE	NONE
CEO	NONE	NONE

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
TERESITA B.BENITEZ	404,744	358,777	0.38%
RENE B. BENITEZ	5,326,045	216,245	2.73%
ERIC B. BENITEZ	5,666,248	77,784	2.83%
JOEL S. FERRER	2,046,705		1.01%
MICHAEL WEE	8,407,179		4.14%
MAX O. BORROMEO	409,527	822,557	0.61%
JUAN CARLOS G. DEL ROSARIO	29		0.00%
EUGENIO E. REYES	15		0.00%
FRANCISCO C. EIZMENDI JR.	15		0.00%
JOSE V. CRUZ	1		0.00%
TOTAL	**22,260,508**	**1,475,363**	**11.70%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒ No ☐

Identify the Chair and CEO:

Chairman of the Board	Rene B. Benitez
CEO/President	Max O. Borromeo

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	*1.Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.* *2.Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;* *3.Maintain qualitative and timely lines of communication and information between the Board and Management.*	*1.Exercise general supervision over all officers of the corporation;* *2.Exercise general supervision over all contracts and agreements which the corporation may enter into;* *3.Submit an annual report of the operations to the Board of Directors;* *4.Sign, indorse and deliver all checks, drafts, bills of exchange, promissory notes and orders of payment of sums of money in the name and in behalf of the corporation;* *5.Exercise such other powers and perform such other duties as the Board of Directors may fix or delegate.*

Accountabilities		
Deliverables		

3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

   The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation. To this end, the Board of Directors reviews the qualifications of various candidates for top executive and corporate positions. This practice has enabled the Board of Directors to elect new officers to the following positions during the 2014 Organizational Board Meeting: Chairman, Vice Chairman and President, without any disruption in its operations.

4) Other Executive, Non-Executive and Independent Directors

   The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation.

5) Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.
   Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. ***Yes***.

The Nomination Committee is responsible for annually reviewing all nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.

The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- *The nature of the business of the Corporation which he is a director or an officer;*
- *Age of the director;*
- *Number of directorships/active memberships and officerships in other corporations or organizations; and possible conflict of interest.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			
Deliverables			

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

A. *Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;*

B. *Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;*

C. *Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;*

D. *Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;*

E. *Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;*

F. *Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or*

G. *Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Corporation complies with SEC Memorandum Circular No. 9-2011, and limits terms of independent directors to five (5) consecutive years. In addition, should the Corporation desire to re-elect the independent director after the two (2) – year "cooling off" period, the ID may serve for another five (5) consecutive years pursuant to SEC MC No. 9-2011, or such other period as may be prescribed by the Securities and Exchange Commission. At this time, the Corporation's independent directors have not yet exceeded the term limits prescribed under SEC MC No. 9-2011.

6) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Isidro B. Benitez	Member	July 31, 2014	Health Reason

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Screening by the Nomination Committee *The Nomination Committee is responsible for annually reviewing all*	*Qualifications* o *Holder of at least one (1) share of stock of the*

	nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual. *The Directors are elected annually during the Annual Stockholders' Meetings.*	*Corporation;* o *He shall be at least a college graduate or have sufficient experience in managing businesses to substitute for such formal education;* o *He shall be at least twenty one (21) years old;* o *He shall have proven to possess integrity and probity; and* o *He shall be assiduous.*
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	*The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:* *A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent*

		director of any of the foregoing; *B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;* *C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;* *D. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;* *E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;* *F. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or* *G. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related*

		companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial. *An independent director shall have the following qualifications:* *(i) He shall have at least one (1) share of stock of the corporation;* *(ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;* *(iii) He shall possess integrity/probity; and* *(iv) He shall be assiduous.*
b. Re-appointment		
(i) Executive Directors	*same as Appointment of Directors*	*same as Appointment of Directors*
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	*The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.* *The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.*	o *Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;*

		or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; o *Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.* *The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation*

		issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, articipation or association with a member or participation of the organization; o *Any person convicted by final judgment or order by a court or competent administrative body of any offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;* o *Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;* o *Any person judicially declared as insolvent;* o *Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;*

		○ *Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.*
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	*In addition to the disqualifications of a regular Director, Independent Directors have the following disqualifications.* *Disqualification under the Manual of Corporate Governance: Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;* *Disqualification under the Amended IRR of the SRC: No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:* *(i) He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate Governance;* *(ii) His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;* *(iii) Fails, without any justifiable cause, to attend at least 50% of the total number of*

		Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family. *(iv) Such other disqualifications which the covered company's Manual on Corporate Governance provides.*
d. Temporary Disqualification		
(i) Executive Directors	*The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.* *A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.*	*The Board may provide for the temporary disqualification of a director for any of the following reasons.* o *Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.* o *Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.* o *Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.* o *If any of the judgments or orders cited in the ground for permanent disqualification has not yet become final.*
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*

(iii) Independent Directors	*Same as Executive Directors*	*In addition to the grounds for disqualification of a regular Director, the Independent Directors may likewise be temporarily disqualified on the following grounds:* *If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.*
e. Removal		
(i) Executive Directors	*The Corporation abides by Sec. 28 on Removal of Directors, as follows:* *Any director of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of a corporation for the purpose of removal of directors, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the corporation signing the demand. Notice of the time and place of such*	*A director may be removed from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.*

	meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of this Code.	
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*Same as Executive Directors*
f. Re-instatement		
(i) Executive Directors	*Directors who were removed may be reinstated by their election by the Stockholders in its Special or Annual Meeting.*	*The Nominations Committee is responsible for short-listing and screening all candidates for the Board of Directors, including those to be reinstated.*
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*Same as Executive Directors*
g. Suspension		
(i) Executive Directors	*Any suspension of a Director shall be made pursuant to the same procedures for their removal under Sec. 28 of the Corporation Code. The suspension of a Director produces the same effect of depriving said Director, and the shareholders who elected him, from participating and voting during the meetings of the Board and hence, the application of the aforesaid Sec. 28, absent any other procedures under the Corporation Code or other regulations or laws.*	*A director may be suspended from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.*
(ii) Non-Executive Directors	*Same as Executive Directors*	*Same as Executive Directors*
(iii) Independent Directors	*Same as Executive Directors*	*Same as Executive Directors*

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Mr. LAWRENCE EE	165,894,835
Mr. JUAN CARLOS DEL ROSARIO	165,894,835
Ms. TERESITA B. BENITEZ	165,894,835
Mr. MAX O. BORROMEO	165,894,835
Mr. RENE B. BENITEZ	165,894,835

Mr. ERIC B. BENITEZ	165,894,835
Mr. JOSE V. CRUZ	165,894,835
Mr. FRANCISCO C. EIZMENDI, JR.	165,894,835
Mr. JOEL S. FERRER	165,894,835
Atty. EUGENIO E. REYES	165,894,835
Mr. MICHAEL WEE	165,894,835

7) Orientation and Education Program (Director's Profile)

(a) Disclose details of the company's orientation program for new directors, if any.
(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Company policy prohibits employees from directly engaging in any activity, practice, or act, in conflict with the interests of MFC, which include but are not limited to the following: (1) Acceptance of outside employment in an organization that does business with, or is a competitor of MFC; (2) Financial interest in a firm that does business with MFC, and the interest is sufficient to affect his decisions or actions, except as specifically approved by the President or Senior Managing Director; (3) Acceptance of gifts from any person or firm doing business with MFC under circumstances which might influence you in the conduct of business with the donor; (4) Conduct (employment, disloyal, and/or prejudicial to MFC).		
(b) Conduct of Business and Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-public Information			
(f) Use of Company			

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Funds, Assets and Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action	MFC adopts a positive approach in disclining erring employees. Positive discipline is primarily a "corrective" approach in maintaining discipline among its employees. The following progressive actions shall serve as guide in initiating disciplinary actions against erring employees: (i) VERBAL WARNING : a verbal reprimand calling the attention of an employee about an infraction/s against company rules and regulations. Normally given for first offenses; (ii) WRITTEN WARNING : a written formal reprimand calling the attention of an employee about serious and or habitual infraction/s against company rules % regulations. This puts the employee under observation for 30 days; (iii) SUSPENSION: Having the employee not report to work and go without pay for serious or habitual infraction/s against company rules & regulations. This puts an employee under observation for 60 days; (iv) DECISION LEAVE: a one-on-one session between the employee and his immediate superior to discuss the problem/s with the end view of making the employee decide on whether or not he would continue working with the company. A one		
(i) Whistle Blower			
(j) Conflict Resolution			

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? ***YES***

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

There is an ongoing monitoring by HR Department and the Management.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	*Any and all transactions with possible conflict of interest should be with prior disclosure and done on an arms length, market based parameters*
(2) Joint Ventures	*Same*
(3) Subsidiaries	*Same*
(4) Entities Under Common Control	*Same*
(5) Substantial Stockholders	*Same*
(6) Officers including spouse/children/siblings/parents	*Same*
(7) Directors including spouse/children/siblings/parents	*Same*
(8) Interlocking director relationship of Board of Directors	*Same*

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Amalgamated Investment Bancorporation
Group	Lending rate is compared with other financial institution's rate

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Amalgamated Investment Banking Corp	*Lender of Funds*	*MFC borrows funds from AIB which is covered by a PN*

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

parties, including regulatory authorities.

It has never been happened and if with conflict a disclosure will be made.

	Alternative Dispute Resolution System
Corporation & Stockholders	*N/A*
Corporation & Third Parties	*N/A*
Corporation & Regulatory Authorities	*N/A*

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? The Board of Director's meetings is scheduled three months before the date of next meeting.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Rene B. Benitez	07/31/14	4	4	100
Member	Juan Carlos Del Rosario	07/31/14	4	4	100
Member	Jose V. Cruz	07/31/14	4	4	100
Treasurer	Joel S. Ferrer	07/31/14	4	4	100
President	Max O. Borromeo	07/31/14	4	4	100
Member	Eric B. Benitez	07/31/14	4	4	100
Vice Chairperson	Teresita B. Benitez	07/31/14	4	4	100
Member	Michael Wee	07/31/14	4	4	100
Independent	Francisco C. Eizmendi, Jr.	07/31/14	4	4	100
Independent	Eugenio E. Reyes	07/31/14	4	4	100

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes, these meetings are the Organizational meetings, Nomination Committee meetings, Audit Committee meetings, Executive Committee meetings and Compensation Committee meetings.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

The board papers for the Board of Directors meetings have been provided seven (7) days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary performs the following duties:

a. *Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;*
b. *Be loyal to the mission, vision and objectives of the corporation;*
c. *Work fairly and objectively with the Board, Management and stockholders;*
d. *Have appropriate administrative and interpersonal skills;*
e. *If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;*
f. *Have a working knowledge of the operations of the corporation;*
g. *Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;*
h. *Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*
i. *Ensure that all Board procedures, rules and regulations are strictly followed by the members; and*
j. *If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer.*

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The Corporate Secretary is a lawyer by profession and obtained his law degree from the University of the Philippines. He is also well-versed in accountancy, having obtained his BS Business Administration, cum laude, *from the same University. He is currently legal counsel, director and/or corporate secretary of several Philippine Corporations.*

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ■ No ☐

Committee	Details of the procedures
Executive	*Pursuant to policies on transparency and to minimize procedural barriers, all of the Committee Members have free and direct access to the Corporate Secretary, President, Chief Executive Officer, Chief Operating Officer, Treasurer and other officers of the Corporation. They may also freely request for data or other information which may be needed to enable them to prepare in advance for their respective meetings. Communications may be made through personal meetings, mobile numbers, landline numbers and email addresses.*
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The corporation may create a Board of Advisers which shall be composed of such numbers, who may or may not be a stockholder of the corporation, to be fixed and appointed by the	*The Board of Advisers shall advise the Board of Directors and the Executive Committee on such matters as the Board of Directors and the Executive Committee may require.*

Board of Directors.	*The Board of Advisers shall be entitled to such compensation or per diem as may be fixed by the Board of Directors.*

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
N/A		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	*NONE*	*YES*
(2) Variable remuneration	*NONE*	*NONE*
(3) Per diem allowance	*NONE*	*NONE*
(4) Bonus	*YES*	*YES*
(5) Stock Options and other financial instruments	*NONE*	*NONE*
(6) Others (specify)	*NONE*	*NONE*

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Remuneration and increase in remuneration is decided by the Compensation Committee every year based on performance of the corporation.		
Non-Executive Directors	*NONE*	*NONE*	*NONE*

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval

N/A	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	3,552,640	NONE	NONE
(b) Variable Remuneration	NONE	NONE	NONE
(c) Per diem Allowance	200,000	1,600,000	400,000
(d) Bonuses	653,025	1,300,541	168,028
(e) Stock Options and/or other financial instruments	NONE	NONE	NONE
(f) Others (Specify)	NONE	NONE	NONE
Total	4,405,665	2,900,541	568,028

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total	NONE	NONE	NONE

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	*N/A*	*N/A*

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
MAXCY FRANCISCO JOSE R. BORROMEO	*Php 4,947,021.02*
MARCOS E. LAROSA	
ALDRIN FRANCIS B. PONTANARES	
WILMA P. FUNDAN	
NAPOLEON B. MALONG JR.	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	*1*	*4*					
Audit		*3*	*1*				
Nomination		*5*					
Remuneration		*3*	*1*				
Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	*Max O. Borromeo*	*07/31/14*	2	2		
Member (NED)	*Teresita B. Benitez*	*07/31/14*	2	2		
Member (NED)	*Juan Carlos Del Rosario*	*07/31/14*	2	2		
Member (NED)	*Rene B. Benitez*	*07/31/14*	2	2		

Member (NED)	*Lawrence Ee*	*07/31/14*	2	2		

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Francisco C. Eizmendi, Jr.*	*07/31/14*	*2*	*2*		
Member (NED)	*Teresita B. Benitez*	*07/31/14*	*2*	*2*		
Member (NED)	*Lawrence Ee*	*07/31/14*	*2*	*2*		
Member (NED)	*Juan Carlos Del Rosario*	*07/31/14*	*2*	*2*		

Disclose the profile or qualifications of the Audit Committee members.

The Audit committee shall be composed of at least three (3) members of the Board, the Chairman of which should be one (1) whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

Describe the Audit Committee's responsibility relative to the external auditor.

Duties and responsibilities:

- *Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;*
- *Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;*
- *Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;*
- *Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;*
- *Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;*
- *Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;*
- *Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;*
- *Review the reports submitted by the internal and external auditors;*
- *Review the quarterly, half year and annual financial statements before their submission to the Board, with particular focus on the following matters:*
    - *Any change/s in accounting policies and practices*
    - *Major judgmental areas*
    - *Significant adjustments resulting from the audit*
    - *Going concern assumptions*
    - *Compliance with accounting standards*
    - *Compliance with tax, legal and regulatory requirements*
- *Coordinate, monitor and facilitate compliance with laws, rules and regulations;*
- *Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.*

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairperson (NED)	*Teresita B. Benitez*	*07/31/14*	1	1		
Member (ED)	Max O. Borromeo	*07/31/14*	1	1		
Member (NED)	Eric B. Benitez	*07/31/14*	1	1		
Member (NED)	Rene B. Benitez	*07/31/14*	1	1		
Member (NED)	Michael Wee	*07/31/14*	1	1		

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Eugenio E. Reyes	*07/31/14*	1	1		
Member (NED)	Juan Carlos Del Rosario	*07/31/14*	1	1		
Member (NED)	Jose V. Cruz	*07/31/14*	1	1		
Member (NED)	Eric B. Benitez	*07/31/14*	1	1		

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	*NONE*	*NONE*	*NONE*	*NONE*		*NONE*
Member (ED)						
Member (NED)						
Member (ID)						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	*N/A*	
Audit	*N/A*	
Nomination	*N/A*	
Remuneration	*N/A*	
Others (specify)	*N/A*	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	*Review process & control measures*	*Strategy to reduce repo inventory*
Audit	*Review provisioning process*	*Sufficient provision for bad debts*

Nomination	*Identify directorship candidates*	*Directorship comply with policies set*
Remuneration	*Performance based review*	*Comply with policy & reward performance*
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	*CARAVAN / SALE*	*REDUCTION OF MC INVENTORY*
Audit	*DOING ACCRUAL & PROVISIONING*	*ACCRUAL METHOD*
Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (specify)	N/A	N/A

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Quarterly, during the Board of Directors's meeting, the directors identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability. Periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The board discussed the proposal by management to explore new product lines to include financing of trucks, collateralized business loans, personal loans of employees of related companies and other options. The board encouraged the management to diversify its portfolio and identify areas for growth since bulk of existing portfolio pertains to Motorcycle Financing.

(c) Period covered by the review;

January – December 2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

Quarterly, during the Board of Directors' meeting, the directors review risk exposure with the help of aging of accounts analysis for each product line plus financial and liquidity ratios.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Setting limits for borrowers based on credit worthiness. Obtaining security, where appropriate and limits duration of exposure. Credit applications go through a rigid process of screening before the granting of credit. Tools like aging of receivables are used to assess impairment.	Choosing markets & borrowers which has better capacity to repay their loan, reduces probable loss. If parties fail to discharge their obligations, loss exposure is managed. Collaterals coupled with rigid screening lessen risk and loss exposure.
Interest rate risk	A prudent policy on managing the assets and liabilities to ensure that exposure to interest rate fluctuations are kept within acceptable limits. The interest rates are benchmarked against market interest rates.	Ensure level of profitability is sufficient to cover for overhead expenses and expected profit. Too high interest rates discourage clients to avail of loans from products offered.
Liquidity risk	Maintain, continually identify & arrange for level of funds sufficient to finance capital & operational requirements.	Regularly evaluate projected (budgeted) and actual cash flows. Continually source fund raising activities.
Human risk	Employee screening & interview, orientation & training and background checks are implemented. Annual drug test is done. Install strict controls on monies, accountable forms and meticulous review of proper documentation and authority for each transaction is a must.	Exposure to losses due to employee incompetence, theft, fraud & embezzlement is to be kept at minimum.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Same as Company as we are not a Group of Companies	*Same as Company as we are not a Group of Companies*	*Same as Company as we are not a Group of Companies*

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The rights of the Minority Shareholders are fully protected and kept intact in the manual. The Shareholders have the right to elect, replace and remove directors and vote on certain corporate acts in accordance with the Corporation Code. They also have pre-emptive rights and the right to information and dividends.
The Board gives minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement	Risk Management and Control (Structures, Procedures, Actions Taken)

	Process)	
Credit Risk	*Limits loan grants based on credit worthiness: capacity to pay, historical paying habits , employment status or number of years in business, reputation in industry & neighborhood, number of years in residence. Obtaining security/collateral, where appropriate and limiting duration of exposure is another tool we employ in granting loans.*	*At least three (3) people evaluates and signs off on the merit of the borrower based on documents submitted and background investigation done before any release or approval is triggered. Monthly, aging of accounts are analyzed and used to gauge the collectivity and impairment index.*
Interest rate risk	*Financial ratios are generated regularly and contribution margins per product line offered are computed to determine extent of profitability.*	*Interest rates on funds sourced are externally benchmarked on market, therefore additional measures to ensure profitability is cost cutting, low wastage and asset/supplies losses.*
Liquidity risk	*Regularly evaluate projected (budgeted) and actual cash flows. Monitor trend of actual collections and disbursements. Monitor market interest rates vis-à-vis actual interest rates on existing borrowings. Continually source fund raising activities.*	*To monitor funds availability and control, daily cash count is made while matching of deposit slips versus collections received as per OR issued is diligently done. Daily monitor of OR issued by collectors are done. Monthly cash flow analysis is done compared with budget. Good credit standing with existing lending institutions is maintained to ensure operating funds availability.*
Human risk		*Annual drug testing. Regular lifestyle check. Conduct internal audits. Constant review on control system and ensure adherence in implementation.*

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Periodic review of FS and discussion with external audit outfit.	*Discussed thoroughly in Section E.2.b*
Nomination Committee	Ensure nominees are qualified to monitor and give valued added inputs to the operations of the Company.	*Discussed throughly in Section A.5*

Executive Committee	Regular Management Committee meetings with review of operational and financial performance.	Reviews frequently and regularly the performance and activities of the Corporation and makes recommendations and approvals as needed

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
Makati Finance Corporation (MFC) promulgates and adopts Audit Committee Charter as a framework and blueprint to ensure accurate and transparent financial disclosures and the observance of adequate risk controls. The Audit Committee shall assist the MFC Board of Directors and Management by providing oversight functions over the following:

- *Integrity of the Corporation's financial reporting process*
- *Internal Controls and risk management system*
- *Statutory audit of the annual financial accounts*
- *Independence of external audit firm*
- *Effectiveness of anti-fraud, ethics and compliance systems.*

The Audit Com is composed of at least three (3) directors, who shall have adequate understanding of the company's financial management systems and environment. The Chairman of the Audit Com shall be an independent director.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Com has the specific responsibility of assisting and providing oversight functions over Management and in monitoring the integrity of the financial statements of the Company and any other financial reports. If the Audit Com is not satisfied with any aspect of the financial reporting by MFC, such concerns shall be brought to the attention of the Board of Directors or Management, at the discretion of the Audit Com. Provide oversight Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. Review the reports submitted by the internal and external auditors; Review the quarterly, semi-annual and annual financial statements before their submission to the Board.

(c) Period covered by the review; Annually

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
The Audit Com shall, from time to time, review the following practices:
1.1 Revenue recognition – timing on recognition of sale
1.2 Changing estimates – altr basis of estimates to make the numbers
1.3 Abuse of materiality concept – argument on what is significant or non-significant to the bottom line
1.4 Capitalization and deferral of expenses

The Audit Com shall prepare an Audit Committee self-assessment chart to gauge its performance against its purpose.

(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Ensure effective, appropriate and complied with organizational and procedural controls	Nature and complexity of business; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology and the extent of regulatory compliance	In-house	NAPOLEON MALONG	Reporting to the Audit Committee

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

YES

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Jeffrey Joves	Career opportunity

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	
Issues[6]	
Findings[7]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year

[6] "Issues" are compliance matters that arise from adopting different interpretations.

[7] "Findings" are those with concrete basis under the company's policies and rules.

result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Revenue Recognition	
Changing Estimates	
Abuse of Materiality concept	
Capitalization and deferral of expenses	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Perform oversight functions over the corporation's internal and external auditors. It must ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination. External auditor should be rotated or changed every five (5) years or earlier.			

Organize an internal audit department and discuss terms and conditions of engagement and removal.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

MR. RENE B. BENITEZ – Chairman
MR. MAX O. BORROMEO - President

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare		
Supplier/contractor selection practice		
Environmentally friendly value-chain		
Community interaction		
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

The Board shall respect the rights of the stockholders as provided for in the Corporation Code:

(a) Right to vote on all matters that require their consent or approval;
(b) Pre-emptive right to all stock issuances of the corporation;
(c) Right to inspect corporate books and records;
(d) Right to information;
(e) Right to dividends; and
(f) Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholder's meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
YES

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?
The company required all employees to undergo an annual medical examination to ensure their physical condition and suitability for the job. The periodic check-up shall be paid for by the company, according to the plan chosen.

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

(b) Show data relating to health, safety and welfare of its employees.

Annual Physical Examination – May 2014
Group Life Insurance – enrolled/renewed yearly
Personal Accident Insurance – cover all employees doing field work
Group Medical Insurance – enrolled/renewed yearly
Drug Testing – random on a regular basis

(c) State the company's training and development programs for its employees. Show the data.
The company provides training to its personnel, which are classified as Functional Training, Orientation and General Training, and Career Training. They are:

1. Monthly Orientation for New Hires
2. IFCA Training for Newly Hired Employees
3. Accounting Processes for Branch Staff
4. IFCA for Managers
5. IFCA for Accountants
6. Refresher Course for All Branch Staff
7. Refreshers Course for Accounting Processes for Branch Managers and Branch Staffs
8. Credit Process for Credit Sales Representatives
9. Advance Excel for Accountants
10. Leadership Trainings for Managers
11. Handling Difficulty for Managers
12. Customer Service Training for All Branch Staffs

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The company shall have the prerogative to grant performance bonuses to its employees. Amount of bonuses is upon the discretion of management, but in general, basis of the performance bonus shall be the over-all performance of the company for the fiscal year and the employee's individual performance and contribution during the particular period.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The HR Department is the one handling all complaints coming from clients. HR Dept. will require the complainant a written affidavit thru fax or email. After identifying concerned party or employee, he/she will be given a notice to explain. Upon verification and thorough study of the HR regarding the case, disciplinary or positive actions shall be initiated or imposed.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
N/A			

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
N/A			
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	In separate report
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
R. G. MANABAT & CO. (KPMG)	**P560,000.00**	**N/A**

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Company website www.makatifinance.ph
Annual Report
PSE and SEC disclosure

5) Date of release of audited financial report: April 24, 2014

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**

Materials provided in briefings to analysts and media	
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Upgrading of website on-going**
Notice of AGM and/or EGM	
Company's constitution (company's by-laws, memorandum and articles of association)	

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Amalgamated Investment Bancorporation	Parent	Unsecured, 30-day non-interest bearing receivable	P101,006
Amalgamated Investment Bancorporation	Parent	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate	P610,800,000
Amalgamated Investment Bancorporation	Parent	Interest payment for Notes Payable	P28,241,747
Amalgamated Investment Bancorporation	Parent	Broker's fee payable to Parent	P2,187,500
Amalgamated Investment Bancorporation	Parent	Cash Dividend on 9M shares of AIB equal to Php 4 per share	P36,000,000

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

The annual meeting of the stockholders shall be held on the last Thursday of July in each year, if not a legal holiday, and if a legal holiday, then on the next business day following. The stockholders owning or representing a majority of the subscribed capital stock shall elect by a plurality vote a Board of Directors and shall transact such other business as may properly be brought before such meeting.

Special meetings of the stockholders for any purpose or purposes may be called at any time by the President or by order of the majority of the members of the Board of Directors, or upon request of any stockholder owning at least ten percent (10%) of the outstanding capital stock.

Quorum Required	At least two-third (2/3) of the number of directors

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting
Description	At every meeting of stockholders, each stockholder with voting privilege shall be entitled to one vote for each share of the stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder with voting privilege shall be entitled to cumulate his votes in the manner provided by law. Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly auhorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. This instrument appointing a proxy shall presented to and lodge with the Secretary at or prior to the time of the meeting. Except as otherwise provided by law, all corporate actions requiring the approval of the Stockholders shall be decided by the affirmative vote of the majority of the issued and outstanding capital stock of the corporation.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Rights of Investors/Minority Interests	
Voting Right	
Pre-emptive Right	
Power of Inspection	
Right to Information	
Right to Dividends	
Appraisal Right	

Dividends

Declaration Date	Record Date	Payment Date
To be announced in the next Annual Stockholders' meeting		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution
    b. Authorization of additional shares
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

    a. Date of sending out notices: Twenty seven calendar days before the actual Stockholders' meeting (July 10, 2014)

    b. Date of the Annual/Special Stockholders' Meeting: July 31, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

    ____

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
N/A	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	11	July 31, 2014				
Special	N/A					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? NONE. But required the external auditor to observe the voting.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. T

Only one class of share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	
Notary	
Submission of Proxy	
Several Proxies	
Validity of Proxy	
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	

Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. This instrument appointing a proxy shall presented to and lodge with the Secretary at or prior to the time of the meeting.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notices will be send to shareholders 21 business Days prior to actual Annual Meeting	*Written notice of every meeting of the stockholders starting the date, time and place of the meeting, accompanied by the agenda of the matters to be take up and by the proxy or information statement and/or materials as may be required by law or regulation shall be sent by personal delivery or by mail to each qualified stockholder thereat at such addresses as it appears in the books of the corporation or by publication in a newspaper of general circulation within such period as may from time to time to be required by law or regulation.*
	When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened

	meeting, any business may be transacted that might have been transacted on the original date of the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	100
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	July 10, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 10, 2014
State whether CD format or hard copies were distributed	Distributed Hard copy
If yes, indicate whether requesting stockholders were provided hard copies	Hard copy

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Stated
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Stated
The auditors to be appointed or re-appointed.	Stated
An explanation of the dividend policy, if any dividend is to be declared.	Stated
The amount payable for final dividends.	Stated
Documents required for proxy vote.	Stated

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The Board shall be committed to respect the following rights of the stockholders: 2.a.1 Voting Rights 2.a.2 Pre-emptive Right 2.a.3 Power of Inspection 2.a.4 Right to information 2.a.5 Right to Dividends 2.a.6 Appraisal Right	
Directors' Duty to Promote Shareholder Rights	

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person . The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.	

(b) Do minority stockholders have a right to nominate candidates for board of directors?
The shareholders have the right to elect, replace and remove directors and vote on certain corporate act in accordance with the Corporation code. They also have pre-emptive rights and the right to information and dividends.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Executive Committee has the responsibility for the review and approval of any major company announcements.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First Violation	Reprimand
Second Violation	Suspension
Third Violation	Maximum penalty or removal from office