COVER SHEET

A 2 0 0 1 1 5 1 5 1

S.E.C. Registration Number

AG FINANCE, INCORPORATED

(Company's Full Name)

UNIT 2205A EAST, PSE CENTER,
EXCHANGE RD., ORTIGAS CENTER,
PASIG CITY

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

Ms. Emiliana G. Mauricio

Contact Person

(632) 635-2835

Company Telephone Number

12 31

Month *Day*

SEC FORM 17-A

FORM TYPE

Month *Day*

Annual Meeting

Registered & Listed

Secondary License Type, If Applicable

MSRD

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.

SEC 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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, 2013**

2. SEC Identification Number **A200115151** 3. BIR Tax Identification No. **219-045-668**

4. Exact name of issuer as specified in its charter **AG Finance, Incorporated**

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

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **U2205A East, PSE Centre, Exchange Rd. Ortigas Pasig** — **1605**
   Address of principal office — Postal Code

8. **(632) 635-2835**
   Issuer's telephone number, including area code

9. **Not applicable**
   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 Shares : P1.00 par value	**261,824,002 shares**

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

    Yes [**X**] No [ ]

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

    Philippine Stock Exchange — **Common Shares**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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:

    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.
    ₱211,029,400. 00.

Table of Contents

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

AG Finance, Incorporated ("AGF" or the "Company") was organized in the Philippines on December 14, 2001. The Company is registered with the Securities and Exchange Commission (SEC) to operate as a financing company and is goverened by the Repubic Act (R.A.) No. 8556, The Financing Company Act of 1998. AGF was listed with the PSE on August 13, 2013.

The Company is one of the major players in the microfinance and consumer loans industry serving the financial needs of Filipinos here and abroad.

Over the years, AG Finance has built its reputation in the market delivering its unique personalized services with superior flexibility, productivity and efficiency. The Company aims to be one of the premier financing institutions meeting the diverse needs of its OFW Loan and Salary Loan markets by offering the best terms of credit, efficient service, and products that are suited to its clients' needs.

The Company initially has authorized capital stock of ₱10.0 million divided into 10.0 million common shares with a par value of ₱1.00 per share. Due to continuous growth and expansion of the Company, a series of capital infusion were made by the shareholders in 2006 and 2009. On August 24, 2006 the Company increased its authorized capital stock to ₱30.0 million divided into 30.0 million common shares, of which 20.0 million common shares were subscribed and paid-up. Subsequently, on June 16, 2009, AG Finance increased its authorized capital stock to ₱75.0 million divided into 75.0 million common shares which were fully subscribed and paid -up.

On June 29, 2012, the Company's BOD and stockholders approved the: (i) application for increase in its authorized capital stock to ₱550.0 million divided into 550.0 million shares with a par value of ₱1 per share and (ii) declaration of stock dividends amounting to ₱65.6 million or 65.6 million shares at ₱1 par value.

The stockholders initially subscribed to such increase by paying cash amounting to ₱53.2 million. On November 29, 2012, the Company presented and filed its application for the increase in its authorized capital stock to the SEC which was formally approved by the SEC on February 13, 2013.

Principal Business Activities

The Company primarily provide worry-free short-term, unsecured credit facilities to permanent rank and file employees of reputable medium-sized companies in the Philippines.

Reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business

The Company do not have any reclassification, merger, consolidation, or purchase or sale of significant amount of assets not in the ordinary course of business during the year.

Products and Services Offered

The Company's products are described as follows:

- Salary Loans

  This product is designed to give opportunity for local companies to provide an additional medium for their employees to obtain quick salary and emergency loans. Salary and Emergency Loans ranges from ₱10,000 to ₱50,000 payable over a term of 12 months via salary deduction arrangement.

- OFW Loans

  This product is designed to provide loans to OFWs for deployment overseas needing immediate funds to support their initial expenses in their country of deployment. This is done through a quick processing loan application subject to compliance with certain eligibility requirements. OFW Loans ranges from ₱50,000 and up payable over a term of 12 to 18 months via post dated checks.

Distribution methods of the products or services

The Company has only one office to cater to its borrowers.

Competition

The Company believes that its principal competitive strengths enabling it to compete effectively in its business are:

1. Continuous profitability anchored on aggressive growth strategy

   The Company's management team initiated an aggressive growth strategy that involved a renewed focus on OFW Loans as the Company's primary target market. The strategy entailed increased marketing efforts in the sector, and improved efficiency in the loan application process.

2. Focus on providing loans to higher-income borrowers within the OFW market

   Majority of the Company's loan portfolio is comprised of OFW Loans. In 2013, OFW Loans accounted for 89% of the value of the Company's total loan portfolio for the year. Within the OFW market, the Company focuses on servicing OFWs who are employed as professionals and skilled workers. This subset includes engineers, nurses, teachers, and other skilled workers such as painters, fabricators, mechanics, pipe fitters, welders, and ship builders. Given their specialized occupations, these individuals command more secure employment terms and higher compensation packages allowing for greater amount of disposable income. The Company will continue to target these individuals since they normally have higher loan requirements and lower propensity for payment delinquency.

3. Effective credit evaluation and loan collection system

   The Company implements a credit evaluation process that enables the Company to minimize lending to borrowers who present a higher propensity for payment delinquency. For OFW Loans, the Company requires applicants to submit (i) finalized employment contracts approved by POEA and authenticated by the Philippine Overseas Labor Office; (ii) approved working visas issued by the country of destination; (iii) Overseas Employment Certificate issued by POEA; and (iii) confirmed flight tickets. These documents are verified with the applicants' respective manpower agencies to confirm veracity of the employment contracts. OFW Loan borrowers are required to submit post-dated checks covering the required loan amortization payments for the entire term. Salary Loan borrowers should be regular employees duly endorsed by their respective employers. The automatic salary deduction mechanism agreed with the employers ensures timely remittance of loan amortization payments. In case the Salary Loan borrower resigns before completing payment of the Salary Loan, collection of the remaining balance of the Salary Loan is effected via (i) deduction from the terminal pay and benefits to be received by the Salary Loan borrower (ii) direct payment by the employee or co-maker.

   These procedures allow the Company to assess applicants both fairly and effectively thereby limiting the possibility of lending to individuals who will be unable to duly settle loans, whether by choice or due to uncontrollable circumstances. Furthermore, all applicants are asked to identify and involve co-makers for their loans, providing the Company with contingent options for repayment recourse.

4. Strong brand recognition from target market

   The Company believes that it has built a reputation as a reliable provider of microfinance and personal loans evidenced by the number of referrals and testimonials it received from past borrowers. Competitive interest rates and consistent service quality differentiates the Company from other financing institutions that provide similar loan products.

5. Holistic client-centric service experience

   The Company places emphasis on providing borrowers with a holistic client-centric service experience. This philosophy is manifested in several of the Company's practices, which includes tailor-fitting services to suit borrower requirements such as quick loan releasing, flexible payment schedules, and extended payment grace periods. Moreover, the Company has made it a priority to orient its OFW Loan borrowers on budgeting strategies, cultural acclimation and remittance methods. Apart from these activities, the Company constantly communicates with its borrowers throughout the loan term regarding issues, legislations and regulations affecting OFW welfare and providing applicable assistance. All these activities are performed in order to aid its borrowers in settling loan obligations with the Company.

6. Experienced team of financial services professionals

   The Company has a team of experienced professionals with an average of 19 years experience in the financial services industry. These professionals include those who were instrumental in initiating the aggressive growth the Company has achieved in recent years. The Company believes that this market experience and knowledge that its key officers and executives posses in the financial service industry will continue to benefit the Company.

Sources and availability of raw materials and the names of principal suppliers

This is not relevant to the operations of the Company.

Customer concentration

The Company concentrates on expanding its microfinance and consumer loans to OFWs in over 20 countries with concentration in Australia, Canada and Middle East. The Company is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on its operations.

Transaction with and/or dependence on related parties

The Company does not have related party transactions, there is no dependency on any of its related parties.

Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

This is not relevant to the Company.

Government approval of principal products or services

The Company has no outstanding application subject to government approval.

Effect of existing or probable governmental regulations on the business

The Company is governed by Republic Act No. 8556 , The Financing Company act of 1998. It has complied with the requirements of existing laws to engage in the business.

Amount spent on research and development activities

The Company does not have research and development activities.

Cost and effects of compliance with environmental laws

This is not applicable to the Company.

Employees

As of December 31, 2013, the Company had 26 regular employees, broken down as follows:

Position	No.
Accounting	8
Collections	2
Executive	1
Finance	6
I.T.	2
Marketing	1
Operations	6
TOTAL	**26**

The Company believes that its relations with its employees are good and there have been no labor stoppage since commencement of operations. There is no existing collective bargaining agreement between the Company and any of its employees, and the Company's employees are not part of any labor union. Since its inception, the Company has not experienced any employee strikes or any threat of strike.

The Company has adopted a compensation policy which it believes to be competitive within industry standards. The Company also believes that its relationship with its employees in general is satisfactory.

The Company anticipates having 30 employees by December 31, 2014.

Financial risk management objectives and policies

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's risk management focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

1. Market Risk

   The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk which result from both its operating and investing activities.

a. Foreign currency risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's loans to OFWs, which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

b. Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Exposure to changes in market interest rates are mostly due to bank borrowings and cash and cash equivalents, which are subject to variable interest rates. All other financial assets and liabilities are non-interest bearing or has fixed interest rate.

c. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, or may lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage this risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the maintenance of internal audit.

2. Credit risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting loans to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

None of the Company's financial assets are secured by collateral or other credit enhancements, except for the cash in bank. Cash in bank is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

The Company is not exposed to any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company manages credit risk by setting limits for individual borrowings, and group of borrowers and industry segments. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Company actively seeks to increase its exposure in industry sectors which it believes to possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. Although the Company's loan portfolio is composed of transactions with OFWs, the results of operations and financial condition of the Company may be adversely affected by any downturn in this sector as well as in the Philippine economy in general.

3. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Item 2. Properties

The Company's main office is located at Unit E 2205A, Tektite Towers Condominium, Ortigas Center, Pasig City, Philippines. The Company owns three commercial units and five parking spaces in the building, amounting to a total area of 510.5 square meters. The commercial units and parking spaces are subject to relevant condominium laws as well as the rules and regulations of the condominium association. Specific details on each of the properties are described below:

Unit Type	Unit Number	Area (square meter)
Office space	E 2205 A	227
Office space	E 2204 C	110
Office space	E 2204 D	111
Parking space	P-343	12.5
Parking space	P-344	12.5
Parking space	P-345	12.5
Parking space	P-346	12.5
Parking space	P-3283	12.5
Total		**510.50**

Item 3. Legal Proceedings

The Company has no proceedings that involves a claim.

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

There are no matters to be submitted to a vote by the security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The common shares of the Company was listed last August 13, 2013 in the Philippine Stock Exchange. The high and low prices of the Company's share for each quarter since the date of listing were as follows:

Year	Quarter	High (Php)	Low (Php)
2013	First	Not applicable	Not applicable
	Second	Not applicable	Not applicable
	Third	3.57	2.17
	Fourth	3.74	2.60

Year	Month/Date	High (Php)	Low (Php)
2014	January	3.14	2.65
	February	3.60	2.68
	March	3.58	3.18

As of April 14, 2014, the closing price of the Company's common shares was ₱3.16 per share. As of April 14, 2014, 68,074,000 common shares are held by the public, representing 26% of the Company's outstanding shares.

Holders

The number of shareholders as of December 31, 2013 is 2. The top stockholders of the Company as of December 31, 2013 were as follows:

Stockholders	Number of shares
PCD Nominee Corp. (Filipino)	261,756,002
PCD Nominee Corp. (Non-Filipino)	68,000
Total	**261,824,002**

As of December 31, 2013, the number of common shares owned and held by non-Philippine nationals is 68,000.

The number of shareholders as of March 31, 2014 is 5. The top stockholders of the Company as of March 31, 2014 were as follows:

Stockholders	Number of shares
PCD Nominee Corp. (Filipino)	186,786,005
Tony O. King	36,000,000
Charmainne O. King	19,500,000
Sharone O. King	19,469,997
PCD Nominee Corp. (Non-Filipino)	68,000
Total	**261,824,002**

As of March 31, 2014, the number of common shares owned and held by non-Philippine nationals is 68,000.

Dividends

On June 29, 2012, the Company's Board and shareholders representing two-thirds of the Company's outstanding capital stock approved the declaration of stock dividends for all shareholders. The stock dividend amounted to ₱65.6 million which approximated 100.0% of retained earnings as of December 31, 2011. All shareholders received an amount of shares pro-rated to their ownership in the Company as of the date of the stock declaration.

Dividends may be declared only from the Company's unrestricted retained earnings. Holders of common shares are entitled to receive annual cash dividends of at least 15% of the prior year's recurring net income based on the recommendation of the Board of Directors and provided that the Company has sufficient unrestricted retained earnings.

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

Basis of presentation 2013 and 2012
Financial statements

Basis of preparation

The financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine Peso, the Company's functional currency.

Statement of compliance

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the Group's audited financial statements, including the related notes, contained in this report. This report contains forward-looking statements that involve risks and uncertainties. The Group cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Group's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Group's business, investors should carefully consider all of the information contained in "Risk Factors."

Key performance indicators are listed below:

The key performance indicators presented below were selected to help the management of AG Finance in evaluating the Company's profitability, growth, efficiency, and financial stability, measures that will assist in the generation of future plans.

	Years ended December 31		
	2013	2012	2011
Gross loans receivables (in ₱ thousands)	166,161	218,960	132,512
Past-due loans (in ₱ thousands)	25,679	24,717	19,238
Past-due ratio [1]	15.45%	11.29%	14.52%
Non-performing loans (in ₱ thousands)	8,978	13,624	4,930
Non-performing loans ratio[2]	5.4%	5.3%	3.1%
Interest income (in ₱ thousands)	120,824	82,454	76,033
Net interest margin [3]	61.23%	44.70%	56.98%
Return-on-equity [4]	17.82%	22.87%	41.07%
Earnings Per Share (in ₱)	0.33	0.38	0.35

Note: *(1) Past-due loans divided by Gross loans receivable*
(2) Non-performing loans divided by Gross loans receivable
(3)Interest income less interest expense divided by average interest earning assets (Gross receivables)
(4) Net income divided by average Shareholder's equity

Gross loans receivable

Gross loans receivable represents the Company's total loan portfolio, particularly loans provided through AG Finance's OFW and Salary Loan programs. A larger portfolio would lead to a greater stream of revenues, as each loan is charged a varying interest rate, equating to income for the Company. As of December 31, 2013, gross loans receivable amounted to ₱166.16 million, a decrease of 24.10% from the ₱218.96 million reported in December 31, 2012.

Past-due loans

Past-due loans represent loans that are not paid on the amortization date. Past-due loans ratio indicates the proportion of past-due loans of the whole loan portfolio. A higher ratio may indicate that the Company needs to improve its credit evaluation system as well as its collection process and practices in order to minimize the occurrence of non-payment of loans. As of December 31, 2013, AG Finance posted past-due loans of ₱25.67 million translating to a past-due ratio of 15.45%.

A 100% allowance, as required by the Financing Company Act, is set up for the following:
1. Past due loans for a period of more than six (6) months;
2. When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;
3. Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues;
4. Accounts receivable past due for 361 days or more.

Non-performing loans

Non-performing loans are loans that have remained unpaid after 361 days. Non-performing loans ratio indicates the proportion of non-performing loans of the whole loan portfolio. A higher ratio may indicate that the Company needs to improve its credit evaluation system as well as its collection process and practices in order to minimize the occurrence of non-payment of loans. As of December 31, 2013, AG Finance posted non-performing loans of ₱8.9 million translating to a non-performing loans ratio of 5.4%.

Interest income

Interest income is the main source of revenue of AG Finance. This is earned from interest payments arising from the Company's existing OFW Loans and Salary Loans. A higher amount would indicate growth in AG Finance's loan portfolio and/or an increase in interest rates charged to borrowers. For the year ended December 31, 2013 the Company reported interest income of ₱120.82 million.

Net interest margin

Net interest margin relates to the effective income earned from interest-earning assets, taking into consideration interest expense paid to creditors and lenders. For the year ended December 31, 2013, AG Finance recorded a net interest margin of 61.23%, greater than the 44.7% ratio in the same period of 2012.

Return-on-equity

Return-on-equity ("ROE") measures the amount of profit generated by the Company in relation to the funds invested by shareholders. For the year ended December 31, 2013, the Company presented ROE of 17.82%.

Loans receivable

AG Finance maintains an allowance for impairment of 5% to 7% of the total gross loans receivables. Loans that are past-due for more than 365 days are fully impaired by AG Finance, as the possibility of collection is deemed unlikely. This allowance for impairment is reviewed annually by the Company. If total allowance for impairment is greater than actual impairment, the established allowance is maintained. However in the event that actual impairment is higher than the established allowance, the Company will recognize an additional provision for impairment.

Material changes to the Statement of Financial Position as of December 31, 2013 compared to December 31, 2012 (increase/decrease of 5% or more)

Cash

Cash increased by 177.94% to ₱251.34 million as of December 31, 2013 from ₱90.43 million as of December 31, 2012. This increase was mainly due to proceeds from issuance of capital stock and pre-termination of OFW loans in the first nine months.

Loans receivable

Loans receivable decreased by 26.83% to ₱175.84 million as of December 31, 2013 from ₱240.00 million as of December 31, 2012. This was primarily due to pre-termination of loans during the third and fourth quarter of 2013.

Property and equipment

Property and equipment increased by 4.73% to ₱14.89 million as of December 31, 2013 from ₱14.21 million as of December 31, 2012. This increase was primarily due to the Company's purchase of transportation, office equipment, furniture and fixture and condomium improvement, amounting to ₱2.48 million less depreciation for the year amounting to P1.8 million.

Other assets

Deferred tax asset

Deferred tax asset increased by 69.88% to ₱7.8 million as of December 31, 2013 from ₱4.6 million as of December 31, 2012. This increase was mainly due to tax impact of impairment loss recorded during the year.

Advances to employees and clients

Advances to employees and clients decreased by 31.60% to ₱0.67 million as of December 31, 2013 from ₱0.98 million as of December 31, 2012 due liquidation of employees at the end of the year.

Loans payable

Loans payable decreased by 100% from ₱100 million as of December 31, 2012, due to full settlement of outstanding loans due to local banks.

Accrued expenses and other payables

Accrued expenses and other payables includes unpaid utilities, professional fees, retirement benefit obligations, withholding taxes and interest and other expenses. Accrued expenses and other payables increased by 8.65% to ₱7.2 million as of December 31, 2013 from ₱6.6 million as of December 31, 2012. The increase was due to (i) accrual for retirement of employees; and (ii) accrual for professional fees related to IPO.

Income tax payable

Income tax payable decreased by 44.25% to ₱4.10 million as of December 31, 2013 from ₱7.3 million as of December 31, 2012. This was primarily due to pre-termination of loans during the last quarter of the year, with the corresponding decrease in interest income subject to tax for the same period.

Capital stock

Deposit for future stock subscription

On June 29, 2012, the Company's BOD and stockholders approved the application for increase in the Company's authorized capital stock from ₱75 million divided into 75 million shares of stock to ₱550million divided into 550 million shares both with a par value of ₱1.00 per share. On the same day, the Company's BOD approved the declaration of stock dividends amounting to ₱65.60 million to be issued out of the increase in authorized capital stock. Out of the increase, ₱118.75 million worth of shares were subscribed and partly paid in the form of cash and partly issued as stock dividends. On December 11, 2012 and December 14, 2012, the stockholders subscribed to additional shares by paying cash amounting to ₱53.15 million. As of December 31, 2013, the amount of the subscription paid by the stockholders are presented as part of Capital Stock account in the 2013 statement of financial position.

Stock dividend distributable

On June 29, 2012, the Company'S BOD approved the declaration of stock dividends amounting to P65,600,002 or 65,600,002 shares at P1 par value. On February 13, 2013, the SEC approved the Companys application for the increase in its authorized captal stock. Portion of the increase was subscribed in the form of cash and stock dividends. As of December 31, 2013, the amount of the subscription paid in the form of stock dividends by the stockholders are presented as part of Capital Stock account in the 2013 statement of financial position.

Retained earnings

Retained earnings increased by 139.45% to ₱103.58 million as of December 31, 2013 from ₱43.26 million as of December 31, 2012. The increase arised from the net income after tax of the company for the calendar year, amounting to ₱58.50 million.

Material Changes to the Statements of Comprehensive Income as of December 31, 2013 Compared to December 31, 2012 (Increase/Decrease of 5% or more)

Interest Income

For the year ended December 31, 2013, the Company recorded interest income of ₱120.82 million, which was 46.53% higher than interest income of ₱82.45 million for the year ended December 31, 2012. The increase was mainly attributable to growth in loans receivable, which is in line with management's initiatives to aggressively expand its loan portfolio on a year-on-year basis.

Interest Income on OFW Loans

For the year ended December 31, 2013, the Company's OFW Loans recorded an Interest Income of ₱112.16 million, which was 49.68% higher than the OFW Loans Interest Income of ₱74.93 million for the year ended December 31, 2012. The increase was mainly attributable to an increase in loan releases to OFW borrowers.

Salary Loans Interest Income

For the year ended December 31, 2013, the Company's Salary and Emergency Loans recorded an Interest Income of ₱8.20 million, which was 9.97% higher than the Salary and Emergency Loans Interest Income of ₱7.5 million for the year ended December 31, 2012. The increase was attributable to additional loan releases and an increase in Salary Loans borrowers to 1,767 from 1,658..

Financial Income (Expenses)

Interest Income Cash in Banks

For the year ended December 31, 2013, the Company recorded Interest Income on bank deposits of ₱465,703, which was 583.60% higher than the Interest Income on bank deposits of ₱68,125 for the year ended December 31, 2012. This was driven by capital cash infusion by shareholders and the increase in collection of receivables.

Interest Expense

For the year ended December 31, 2013, the Company recorded an Interest Expense of ₱2.90 million, which was 27.20%lower than the Interest Expense of ₱3.99 million for the year ended December 31, 2012. This was mainly attributable to P100million loan repayment in 2013.

OTHER INCOME

Processing fees

For the year ended December 31, 2013, the processing fees was ₱8.62 million, which was 26.63% lower than the fees of ₱11.75 million for the year ended December 31, 2012. This was attributable to the waiver of fees for nurses-borrowers

Penalties

For the year ended December 31, 2013, penalties was ₱6.74 million, which was 44.45% higher than the penalties of ₱4.66 million for the year ended December 31, 2012. This was attributable to pre-termination penalties charged to borrowers for early loan repayment.

Rent Income

For the year ended December 31, 2013, rent income was ₱63,000, which was 50% lower than the rent income of ₱126,000 for the year ended December 31, 2012. This was attributable to the termination of the Company's lease agreement with Phil.Management, Inc. resulting in only six months of rent income for the year 2013 vis-à-vis a full year rent income for 2012.

Operating Expenses

For the year ended December 31, 2013, operating expenses was ₱41.10 million, which was 46.89% higher than the operating expenses of ₱27.98 million for the year ended December 31, 2012.

• **Salaries and employee benefits**

For the year ended December 31, 2013, operating expenses related to salaries and employee benefits was ₱10.14 million, which was 24.97% higher than the operating expenses of ₱8.12 million for the year ended December 31, 2012. This was attributable to additional hiring of employees supporting the Company's loans processes driven by an increase in loans releases.

• **Taxes and Licenses**

For the year ended December 31, 2013, operating expenses related to taxes and licenses was ₱9.57 million, which was 47.25% higher than the operating expenses of ₱6.50 million for the year ended December 31, 2012. This was attributable to an increase in gross receipts tax driven by growth in interest income and increase in documentary stamp taxes due to issuance of shares.

• **Contractual services**

For the year ended December 31, 2013, operating expenses related to contractual services was ₱1.92 million, which was 12.31% higher than the operating expenses of ₱1.71 million for the year ended December 31, 2012. This was attributable to additional hiring of contractual employees.

• **Marketing and collection fees**

For the year ended December 31, 2013, operating expenses related to marketing and collection fees was ₱1.10 million, which was 20.37% lower than the operating expenses of ₱1.43 million for the year ended December 31, 2012. This was attributable to a decrease in marketing campaigns.

• **Communication and Utilities**

For the year ended December 31, 2013, operating expenses related to communication and utilities was ₱1.35 million, which was 11.66% higher than the operating expenses of ₱1.21 million for the year ended December 31, 2012. This was attributable to an increase in long distance communication.

• **Professional fees**

For the year ended December 31, 2013, operating expenses related to professional fees was ₱5.12 million, which was 347.14% higher than the operating expenses of ₱1.14 for the year ended December 31, 2012. This was primarily attributable to expenses related to the initial public offering.

• **Office Supplies**

For the year ended December 31, 2013, operating expenses related to office supplies was ₱1.30 million, which was 37.75% higher than the operating expenses of ₱0.95 million for the year ended December 31, 2012. This was attributable to a increase in purchases of office supplies and company uniforms.

• **Legal and bank charges**

For the year ended December 31, 2013, operating expenses related to legal and bank charges was ₱1.1 million, which was 811.83% higher than the operating expenses of ₱0.13 million for the year ended December 31, 2012. This was attributable to a increase in notarial services of documents related to IPO.

• **Dues and subscriptions**

For the year ended December 31, 2013, operating expenses related to dues and subscriptions was ₱560,496, which was 6.29% lower than the operating expenses of P598,149 for the year ended December 31, 2012. amount of ₱490,596. This was attributable to decrease in the Company's advertisements for job postings in newspapers.

• **Miscellaneous**

For the year ended December 31, 2013, operating expenses related to miscellaneous was ₱2.12 million, which was 136.36% higher than the operating expenses of ₱0.90 million for the year ended December 31, 2012. This was attributed to an increase in official business travels for marketing campaigns.

Review of December 31, 2012 as compared with December 31, 2011

Material changes to the Statement of Financial Position as of December 31, 2012 compared to December 31, 2011 (increase/decrease of 5% or more)

Cash

Cash increased by 1,424.02% to ₱90.43 million as of December 31, 2012 from ₱5.93 million as of December 31, 2011. This increase was primarily due to receipt of cash from stockholders amounting to ₱53.15 million for the subscription of additional shares. Remaining increase in cash of ₱31.35 million pertains to the net effect of the cash obtained from availment of loans of ₱75.00 million and cash used in operations and investments amounted to ₱43.65.

Loans receivable

Loans receivable increased by 60.21% to ₱240.31 million as of December 31, 2012 from ₱150.00 million as of December 31, 2011. This was primarily due to an increase in OFW Loans releases during the third and fourth quarter of 2012.

Property and equipment

Property and equipment decreased by 8.05% to ₱14.21 million as of December 31, 2012 from ₱15.46 million as of December 31, 2011. This decrease was primarily due to annual depreciation charges of ₱1.82 million notwithstanding the Company's purchase of office furniture, fixture and office equipment amounting to ₱578,568.

Other assets

Deferred tax asset

Deferred tax asset increased by 80.18% to ₱4.60 million as of December 31, 2012 from ₱2.55 million as of December 31, 2011. This increase was mainly due to tax impact of impairment loss recorded during the year.

Advances to employees and clients

Advances to employees and clients decreased by 287.55% to ₱3.94 million as of December 31, 2012 from ₱1.02 million as of December 31, 2011. This was attributable to the Company's discontinuance of advancing other deployment related expenses.

Loans payable

Loans payable increased by 300% to ₱100 million as of December 31, 2012 from ₱25 million as of December 31, 2011. This was due to an increase in loans availment to fund working capital.

Accrued expenses and other payables

Accrued expenses and other payables includes unpaid utilities, professional fees, retirement benefit obligations, withholding taxes and interest and among expenses. Accrued expenses and other payables increased by 13.94% to ₱6.60 million as of December 31, 2012 from ₱5.79 million as of December 31, 2011. The increase was due to (i) accrual for retirement of employees; and (ii) accrued gross receipts tax increase driven by substantial loan releases during the fourth quarter of 2012.

Income tax payable

Income tax payable increased by 8.27%to ₱7.35 million as of December 31, 2012 from ₱6.79 million as of December 31, 2011.This was primarily due to an increase in net income driven by growth in the Company's loan portfolio.

Capital stock

Deposit for future stock subscription

On June 29, 2012, the Company's BOD and stockholders approved the application for increase in the Company's authorized capital stock from ₱75 million divided into 75 million shares of stock to ₱550million divided into 550 million shares both with a par value of ₱1.00 per share. On the same day, the Company's BOD approved the declaration of stock dividends amounting to ₱65.60 million to be issued out of the increase in authorized capital stock. Out of the increase, ₱118.75 million worth of shares were subscribed and partly paid in the form of cash and partly issued as stock dividends. On December 11, 2012 and December 14, 2012, the stockholders subscribed to additional shares by paying cash amounting to ₱53.15 million.

Stock dividend distributable

On June 29, 2012, the Company's BOD approved the declaration of stock dividends amounting to ₱65.60 million or 65,600,002 shares at ₱1.00 par value. Stock dividends were issued out of a portion of the increase in authorized capital. On February 13, 2013, the application for increase was approved by the SEC.

Retained earnings

Retained earnings decreased by 34.13% to ₱43.26 million as of December 31, 2012 from ₱65.67 million as of December 31, 2011. This was due to the declaration of stock dividends amounting to ₱65.6 million offset by net income of ₱43.19 million.

Material Changes to the Statements of Comprehensive Income as of December 31, 2012 compared to December 31, 2011 (Increase/Decrease of 5% or more)

Interest Income

For the year ended December 31, 2012, the Company recorded interest income of ₱82.45 million, which was 8.44% higher than interest income of ₱76.03 million for the year ended December 31, 2011. The increase was mainly attributable to growth in loans receivable, which is in line with management's initiatives to aggressively expand its loan portfolio on a year-on-year basis.

Interest Income on OFW Loans

For the year ended December 31, 2012, the Company's OFW Loans recorded an Interest Income of ₱74.93 million, which was 8.56% higher than the OFW Loans Interest Income of ₱69.02 million for the year ended December 31, 2011. The increase was mainly attributable to an increase in loan releases to OFW borrowers.

Salary Loans Interest Income

For the year ended December 31, 2012, the Company's Salary and Emergency Loans recorded an Interest Income of ₱7.46 million, which was 7.17% higher than the Salary and Emergency Loans Interest Income of ₱6.96 million for the year ended December 31, 2011. The increase was attributable to additional loan releases and an increase in Salary Loans borrowers to 1,658.

Financial Income (Expenses)

Interest Income Cash in Banks

For the year ended December 31, 2012, the Company recorded Interest Income on bank deposits of ₱68,125, which was 27.21% higher than the Interest Income on bank deposits of ₱53,555 for the year ended December 31, 2011. This was driven by capital cash infusion by shareholders and the increase in collection of receivables.

Interest Expense

For the year ended December 31, 2012, the Company recorded an Interest Expense of ₱3.90 million, which was 29.73%lower than the Interest Expense of ₱5.55 million for the year ended December 31, 2011. This was mainly attributable to (i) a decrease in interest rates to 5.75% from 8.50%; and (ii) a loan repayment on August 9, 2012 amounting to ₱25 million.

OTHER INCOME

Processing fees

For the year ended December 31, 2012, the processing fees was ₱11.75 million, which was 51.08% higher than the fees of ₱7.78 million for the year ended December 31, 2011. This was attributable to an increase in OFW and Salary Loans which the Company charges to each borrower.

Penalties

For the year ended December 31, 2012, penalties was ₱4.66 million, which was 5.31% lower than the penalties of ₱4.93 million for the year ended December 31, 2011. This was attributable to pre-termination penalties charged to borrowers for early loan repayment.

Rent Income

For the year ended December 31, 2012, rent income was ₱126,000, which was 100.00% higher than the rent income of ₱63,000 for the year ended December 31, 2011. This was attributable to the Company's lease agreement with Phil.Management, Inc. which commenced on June 1, 2011 resulting in only seven months of rent income for the year 2011 vis-à-vis a full year rent income for 2012.

Operating Expenses

For the year ended December 31, 2012, operating expenses was ₱28.08 million, which was 25.48% higher than the operating expenses of ₱22.38 million for the year ended December 31, 2011.

• Salaries and employee benefits
For the year ended December 31, 2012, operating expenses related to salaries and employee benefits was ₱8.22 million, which was 17.63% higher than the operating expenses of ₱6.99 million for the year ended December 31, 2011. This was attributable to additional hiring of employees supporting the Company's loans processes driven by an increase in loans releases.

• Taxes and Licenses
For the year ended December 31, 2012, operating expenses related to taxes and licenses was ₱6.51 million, which was 19.87% higher than the operating expenses of ₱5.43 million for the year ended December 31, 2011. This was attributable to an increase in gross receipts tax driven by growth in interest income and increase in documentary stamp taxes due to additional bank loan availments.

• Depreciation
For the year ended December 31, 2012, operating expenses related to depreciation was ₱1.82 million, which was 12.29% higher than the operating expenses of ₱1.62 million for the year ended December 31, 2011. This was attributable to additional purchase of computers and servers.

• Contractual services
For the year ended December 31, 2012, operating expenses related to contractual services was ₱1.71 million, which was 13.09% higher than the operating expenses of ₱1.51 million for the year ended December 31, 2011. This was attributable to additional hiring of contractual employees and increase in minimum wage.

• Marketing and collection fees
For the year ended December 31, 2012, operating expenses related to marketing and collection fees was ₱1.43 million, which was 30.22% higher than the operating expenses of ₱1.10 million for the year ended December 31, 2011. This was attributable to an increase in marketing campaigns. In addition, the Company's collection fees paid to Client-companies increased driven by a growth in Salary Loans releases.

• Professional fees
For the year ended December 31, 2012, operating expenses related to professional fees was ₱1.14 million, which was 49.82% higher than the operating expenses of ₱763,880 for the year ended December 31, 2011. This was primarily attributable to expenses preparatory to the initial public offering.

• Office Supplies
For the year ended December 31, 2012, operating expenses related to office supplies was ₱945,532, which was 8.04% lower than the operating expenses of ₱1.03 million for the year ended December 31, 2011. This was attributable to a decrease in purchases of office supplies and company uniforms given sufficient inventory from the previous year.

• Dues and subscriptions
For the year ended December 31, 2012, operating expenses related to dues and subscriptions was ₱598,149, which was 21.92% higher than the December 31, 2011amount of ₱490,596. This was attributable to full year association dues on the new office space bought by the Company. In addition, the Company increased its advertisements for job postings in newspapers driven by its demand to hire additional employees.

• Miscellaneous
For the year ended December 31, 2012, operating expenses related to miscellaneous was ₱3.27 million, which was 70.11% higher than the operating expenses of ₱1.92 million for the year ended December 31, 2011. This was attributed to an increase in official business travels for marketing campaigns.

Review of December 31, 2011 as compared with December 31, 2010

Material Changes to the Statement of Financial Position as of December 31, 2011 compared to December 31, 2010 (Increase/Decrease of 5% or more)

Cash

Cash decreased by 41.26% to ₱5.93 million as of December 31, 2011 from ₱10.10 million as of December 31, 2010. This decrease was primarily due to repayment of bank loans and advances from officers and shareholders.

Loans receivable

Loans receivable increased by 16.76% to ₱150.0 million as of December 31, 2011 from ₱128.47 million as of December 31, 2010. This was primarily due to an increase in loan releases which occurred during the fourth quarter of 2011.

Property and equipment

Property and equipment increased by 39.70% to ₱15.46 million as of December 31, 2011 from ₱11.07 million as of December 31, 2010. This increase was due to the acquisition of a new condominium unit amounting to ₱5.55 million for business expansion. Total purchases are offset by normal depreciation of properties and equipment. No impairment loss was recognized in 2011.

Other assets

Deferred tax asset

Deferred tax asset increased by 60.95% to ₱2.55 million as of December 31, 2011 from ₱1.59 million as of December 31, 2010. This increase was mainly due to tax impact of impairment loss recorded during the year.

Loans payable

Loans payable decreased by 66.67% to ₱25 million as of December 31, 2011 from ₱75 million as of December 31, 2010. This was due to repayment of bank loans on December 21, 2011 amounting to ₱50 million.

Advances from officers and shareholders

Advances from officers and shareholders were fully paid amounting to ₱12.05 million.

Accrued expenses and other payables

Accrued expenses and other payables includes unpaid utilities, professional fees, retirement benefit obligations, withholding taxes and interest and among expenses. Accrued expenses and other payables decreased by 11.60% to ₱5.79 million as of December 31, 2011 from ₱6.55 million as of December 31, 2010. The decrease was due to accrual of audit fees in 2010 for years 2008-2010.

Income tax payable

Income tax payable increased by 108.20%to ₱6.79 million as of December 31, 2011 from ₱3.26 million as of December 31, 2010.This was primarily due to an increase in net income driven by growth in the Company's loan portfolio.

Capital stock

The Company is authorized to issue 75 million common shares with a ₱1.00 par value. In 2011, the Company issued additional 45 million additional shares as additional investment of stockholders.

Retained earnings

Retained earnings increased by 158.50% to ₱65.67 million as of December 31, 2011 from ₱25.40 million as of December 31, 2010. This was due to an increase in net income to ₱40.26 million for the year ended December 31, 2011 from ₱15.19 million for the year ended December 31, 2010.

Material Changes to the Statements of Comprehensive Income as of December 31, 2011 Compared to December 31, 2010 (Increase/Decrease of 5% or more)

Interest Income

For the year ended December 31, 2011, the Company recorded interest income of ₱76.03 million, which was 101.16% higher than interest income of ₱37.80 million for the year ended December 31, 2010. The increase was mainly attributable to growth in loans receivable.

Interest Income on OFW Loans

For the year ended December 31, 2011, the Company recorded interest income on OFW financing program of ₱69.02 million, which was 122.17% higher than interest income of ₱31.07 million for the year ended December 31, 2010. The increase was attributable to a growth in loan releases to OFWs amounting to ₱173.34 million in 2011 from ₱112.41 million in 2010.

Financial Income (Expenses)

Interest Income on bank deposits

For the year ended December 31, 2011, the Company recorded interest income on bank deposits of ₱53,555, which was 61.72% higher than interest income of ₱33,116 for the year ended December 31, 2010. This increase was attributable to higher interest income on bank deposits resulting from greater average daily balance.

Interest Expense

For the year ended December 31, 2011, the Company recorded interest expense of ₱5.55 million, which was 180.31% higher than interest expense of ₱1.98 million for the year ended December 31, 2010. The increase was attributable to higher bank loan availments for the entire year.

Other Income

Processlng fees

For the year ended December 31, 2011, the processing fees was ₱7.78 million, which was 98.08% higher than the fees of ₱3.93 million for the year ended December 31, 2010. This was attributable to an increase in OFW and Salary Loans which the Company charges to each borrower.

Penalties

For the year ended December 31, 2011, the penalties was ₱4.26 million, which was 83.94% higher than the fees of ₱2.68 million for the year ended December 31, 2010. This was attributable to pre-termination penalties charged to borrowers for early loan repayment.

Rent Income

For the year ended December 31, 2011, the rent income was ₱63,000. This was attributable to the Company's lease contract with Phil.Management, Inc. which started on June 1, 2011.

Operating Expenses

For the year ended December 31, 2011, operating expenses was ₱22.38 million, which was 23.99% higher than the operating expenses of ₱18.05 million for the year ended December 31, 2010.

• **Taxes and licenses**

For the year ended December 31, 2011, operating expenses related to taxes and licenses was ₱5.43 million, which was 92.29% higher than the operating expenses of ₱2.82 million for the year ended December 31, 2010. This was attributable to an increase in gross receipts tax driven by a growth in interest income and increase in documentary stamp taxes due to additional bank loan availments.

• **Depreciation**

For the year ended December 31, 2011, operating expenses related to depreciation was ₱1.62 million, which was 23.42% higher than the operating expenses of ₱1.32 million for the year ended December 31, 2010. This was attributable to additional purchase of computer equipments, furniture and fixtures and leasehold improvement.

• **Contractual Services**

For the year ended December 31, 2011, operating expenses related to contractual services was ₱1.51 million, which was 93.83% higher than the operating expenses of ₱778,040 for the year ended December 31, 2010. This was attributable to additional hiring of contractual employees.

• **Marketing and collection fees**

For the year ended December 31, 2011, operating expenses related to marketing and collection fees was ₱1.10 million, which was 22.69% lower than the operating expenses of ₱1.42 million for the year ended December 31, 2010. This was attributable to a decrease of orders in marketing materials.

• **Communication and Utilities**

For the year ended December 31, 2011, operating expenses related to communications and utilities was ₱1.23 million, which was 35.94% higher than the operating expenses of ₱903,372 for the year ended December 31, 2010. This was attributable to the half year utilities expense of the office space the Company bought.

• **Professional fees**

For the year ended December 31, 2011, operating expenses related to professional fees was ₱763,880, which was 28.86% lower than the operating expenses of ₱1.07 million for the year ended December 31, 2010. This was primarily attributable to a decrease in audit fees for 2011 vis-à-vis the expanded three year audit service fees covering the years 2008-2010.

• **Office supplies**

For the year ended December 31, 2011, operating expenses related to office supplies was ₱1.03 million, which was 92.36% higher than the operating expenses of ₱534,535 for the year ended December 31, 2010. This was primarily attributable to an increase in purchases of office supplies and company uniforms.

• **Dues and subscriptions**

For the year ended December 31, 2011, operating expenses related to dues and subscriptions was ₱490,596, which was 29.42% higher than the operating expenses of ₱379,062 for the year ended December 31, 2010. This was primarily attributable to increase in additional association dues from the office space the Company bought.

• **Insurance**

For the year ended December 31, 2011, operating expenses related to insurance was ₱296,501, which was 23.56% lower than the operating expenses of ₱387,866 for the year ended December 31, 2010. This was attributable to lower annual membership premium for the Company's medical insurance.

• **Miscellaneous**

For the year ended December 31, 2011, operating expenses related to miscellaneous was ₱1.92 million, which was 92.02% higher than the operating expenses of ₱1.00 million for the year ended December 31, 2010. This was attributed to an increase in out-of-pocket expenses relating to audit fees.

Liquidity

For the year ended December 31, 2013, the Company's principal sources of liquidity were funds from operations and proceeds from the IPO.

The Company also expects to fund its operations, over the next 12 months from operating cash flows and net proceeds from the IPO. The Company can also source funds from the credit lines with banks.

Item 7. Financial Statements

The audited financial statements of the Company are filed as part of this SEC17-A as "Annex A".

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

There were no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Board of Directors of the Company consists of seven members and shall hold office for a term of one year, or upon the election of its successors. The Board is responsible for the Company's overall mission vision and strategy, management of the Company, and the preservation of the Company's assets and properties. For a person to be eligible to be elected as a director of the Company, it is necessary that he or she is a registered owner of at least one voting share of the Company.

The Company's Board elected during the most recent annual stockholders' meeting held on June 18, 2013 and are to serve until the next annual shareholders' meeting or until their successors have been duly elected and qualified.

Name	Age	Citizenship	Position
Tony O. King	63	Filipino	Chairman
Leila E. Jorge	44	Filipino	President
Sharone O. King	34	Filipino	Director, Treasurer, Finance Head
Charmainne O. King	30	Filipino	Director
Joselyn C. Tiu	51	Filipino	Independent Director
Atty.Peter O. Kho	39	Filipino	Independent Director
Daleson G. Uy	31	Filipino	Independent Director
Atty. Christine P. Base	43	Filipino	Corporate Secretary

Described below are relevant business experience and qualifications of each of the Company's directors covering the past five years.

Tony O. King, Chairman. Mr. King first engaged in business at the age of 24, trading textile and garments locally and in some countries in the Southeast Asian region like Singapore and Indonesia. Mr. King is also the current Chairman and CEO of Armstrong Pacific Co., Incorporated

Leila E. Jorge, President. Ms. Jorge holds a Bachelor of Science degree in Commerce majoring in Economics from St. Scholastica's College. Prior to joining the Company, she served as a Senior Assistant Vice President of Security Bank Corporation's Branch Banking Group. She also held various positions in Marketing and Research with BDO, Planters Development Bank, and Philippine Savings Bank.

Sharone O. King, Treasurer and Finance Head. She holds a Bachelor of Commerce degree, majoring in General Business Management from the University of British Columbia. Prior to working for AG Finance, Ms. King worked for Scotiabank in Toronto, Canada. She also worked as a Corporate Finance Associate with Amalgamated Investment Bancorporation and e-Lab Ventures, Inc. as a Business Development Officer.

Charmainne O. King, Director. Ms. King obtained her Bachelor of Design from York University and her Masters in Business Administration from the Schulich School of Business, York University.

Joselyn C. Tiu, Independent Director. Ms. Tiu is a Certified Public Accountant and obtained her Bachelor of Science Degree in Commerce major in Accounting from the University of Santo Tomas. Prior to joining the Company, she worked as an Auditor for Sycip, Gorres, Velayo & Co. She currently serves as a Vice President for Armstrong Pacific and as Treasurer and Director for Golden Maple Holdings, Inc.

Atty. Peter O. Kho, Independent Director. He is currently serving as the is the President and Chief Executive Officer of Discovery Mall Corporation and as the Company Treasurer for Anchor Land Holdings, Inc. Mr. Kho obtained his Bachelor of Laws and Bachelor of Economics and Development Studies from the Ateneo de Manila University.

Daleson G. Uy, Independent Director. Mr. Uy holds a Bachelor of Science degree in Industrial Engineering from the University of Santo Tomas. Apart from his current position in the Company, Mr. Uy also serves as an Operations Manager for U.G.T. International Trading.

Atty. Christine P. Base, Corporate Secretary. Ms. Base is currently a Securities, Corporate and Tax Lawyer at Pacis & Reyes, Attorneys and Managing Director of Legis Forum, Inc. She is a Director and the Corporate Secretary of Anchor Land Holdings, Inc. and is the Corporate Secretary of Asiasec Equities, Inc., Araneta Properties, Inc., and is the Compliance Officer for International Container Terminal Services, Inc. and several private corporations. She was an Auditor and then Tax Lawyer at SyCip, Gorres, Velayo & Co. She earned her degree of Juris Doctor from Ateneo de Manila University School of Law. She passed the Bar Examination in 1997. She also holds a Bachelor of Science degree in Commerce, major in Accounting from De La Salle University. Atty. Base is also a Certified Public Accountant.

Senior Management

The Company's senior management is responsible for the implementation and execution of plans and programs, approval of OFW and Salary Loans, managing company finances including disbursement and payments within the limits of its authority.

As of December 31, 2013, the Company has in its employ the following management personnel:

Name	Age	Citizenship	Position
Leila E. Jorge	44	Filipino	President
Sharone O. King	34	Filipino	Treasurer and Finance Head
Emiliana G. Mauricio	59	Filipino	Accounting Manager and Assistant Corporate Secretary
Marjorie D.R. Villanueva	41	Filipino	Operations Manager
Nellie C. Sy	43	Filipino	Marketing Manager
Desiree I. Ong	30	Filipino	Investor Relations Officer and Compliance Officer

Described below are relevant business experience and qualifications of each of the Company's senior management covering the past five years.

Emiliana G. Mauricio, Accounting Manager and Assistant Corporate Secretary. Ms. Mauricio is a Certified Public Accountant and obtained her Bachelor of Science degrees in Accounting and Management from the Polytechnic University of the Philippines. Prior to her current position in the Company, she served as the Accounting Manager for Italian Thai Development Public Company Ltd. and Head of Accounting for MCRP Construction Corporation. She was also previously connected with Joaquin Cunanan & Co. (Pricewater House) as a Consultant for the Tax Department and the Philippine Board of Investments as a Senior Investment Specialist. Apart from her responsibilities with AG Finance, Ms. Mauricio also serves as a Vice President for Armstrong Pacific and Golden Maple Holdings, Inc.

Marjorie D.R. Villanueva, Operations Manager. Ms. Villanueva holds a Bachelor of Arts degree in Communication from Miriam College. Prior to joining AG Finance, Ms. Villanueva served as an Assistant Manager and as a Customer Service Specialist for Security Bank. Ms. Villanueva also served as an Executive Assistant at Ivory Records

Nellie C. Sy, Marketing Manager. Ms. Sy holds a Bachelor of Science degree in Hotel Restaurant Management from Sienna College. Prior to joining AG Finance, Ms. Sy served as a branch manager for Equi-Asia Placement Inc.

Desiree I. Ong, Investor Relations Officer and Compliance Officer. Ms. Ong holds a Bachelor of Science in Accountancy from Chiang Kai Shek College. Prior to joining AG Finance, Ms. Ong worked as Senior Auditor in Punongbayan & Araullo, an Assistant Manager of Citibank N.A. Philippines, and a Senior Auditor of S.K. Lai LLP Singapore. Ms. Ong is also a Certified Public Accountant.

Identify Significant Employees

No single person is expected to make significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the success of the Company.

Family Relationships

Ms. Sharone O. King and Ms. Charmainne O. King, directors of the Company, are daughters of Mr. Tony O. King, Chairman of the Board. Other than the foregoing, no other family relationships exist among the directors and members of senior management.

Involvement in Certain Legal Proceedings of Directors and Senior Management

None of the members of the Board or senior management was the subject of any criminal, bankruptcy or insolvency investigations or proceedings in the past five years.

Item 10. Executive Compensation

The following are the Company's CEO and four most highly compensated employees for the year ended 2013 as follows:

Name	Position
Leila E. Jorge	President
Sharone O. King	Treasurer and Finance Head
Nellie C. Sy	Business Development Manager / Marketing
Marjorie D. Villanueva	Operations Head
Emiliana G. Mauricio	Accounting Manager and Collections Head

The table below summarizes the aggregate compensation of the Company's CEO and the four most highly compensated employees, as well as the aggregate compensation paid to all directors and officers as a group for the years, 2011, 2012, and 2013.

Aggregate compensation paid to CEO and the most four highly compensated officers named above	2014 (estimate)	3,558,472	282,418	193,418	4,034,309
	2013	3,389,021	-	184,208	3,573,229
	2012	3,418,347	-	180,773	3,599,120
	2011	3,310,210	-	170,906	3,481,116
Aggregate compensation paid to all directors and officers as a group	2014 (estimate)	5,637,916	447,454	253,075	6,338,445
	2013	5,369,444	-	241,024	5,610,468
	2012	4,431,954	-	203,788	4,635,742
	2011	3,856,234	-	193,483	4,049,717

Compensation of Directors

Standard Arrangement

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangement pursuant to which directors of the company are compensated directly or indirectly, for any services provided as a director.

Other Arrangement

There are no other arrangements pursuant to which directors of the company are compensated directly or indirectly, for any services provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no special contracts of employment between the Company and the named directors and executive officers, as well as compensatory plans or arrangements.

There are no arrangements for compensation to be received by the officers from the Company in the event of a change in control of the Company.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the Company's directors, named senior management and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following persons own at least five percent (5%) of the Company's outstanding common shares:

Title of Class	Name and Address of Record Owner & Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares	Percentage
Common	Tony O. King #3917 Sociego St., Sta. Mesa Manila (Chairman)	Tony O. King	Filipino	93,005,408	35.52%
Common	Sharone O. King #3917 Sociego St., Sta. Mesa Manila (Treasurer and Director)	Sharone O. King	Filipino	50,300,418	19.21%
Common	Charmainne O. King #3917 Sociego St., Sta. Mesa Manila (Director)	Charmainne O. King	Filipino	50,377,930	19.24%
TOTAL				**193,683,756**	**73.97%**

Other than the persons identified above, there are no beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security Ownership of Directors and Officers

Title of Class	Name Beneficial Owner	Citizenship	Amount of Shares & Nature of beneficial ownership	Percentage
Common	Tony O. King	Filipino	93,005,408 (Direct)	35.52%
Common	Sharone O. King	Filipino	50,300,418 (Direct)	19.21%
Common	Charmainne O. King	Filipino	50,377,930 (Direct)	19.24%
Common	Joselyn C. Tiu	Filipino	18,747 (Direct)	0.01%
Common	Leila E. Jorge	Filipino	10,001 (Direct)	0.00%
Common	Peter O. Kho	Filipino	2 (Direct)	0.00%
Common	Daleson G. Uy	Filipino	2 (Direct)	0.00%
Common	Desiree I. Ong	Filipino	-	-
TOTAL			**193,712,508**	**73.99%**

Voting Trust Holders of 5% Or More

The Company has no voting trust agreement or any other similar arrangement which may result in a change in control of the Company.

Changes in Control

There has been no arrangement which may result in a change of control of the Company.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence over the other party in making financial amd operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties.

During the last three years, there were no transactions or series of similar transactions with or involving the Company or any of its subsidiaries in which a director, executive officer, nominee for election as a director or stockholder owning ten percent (10%) or more of total outstanding shares and members of their immediate family, had or is to have a direct or indirect material interest.

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The audited financial statements of the Company are filed as part of this SEC17-A as "Annex A".

(b) Reports on SEC Form 17-C

Date of Disclosure	Subject
August 14, 2013	Clarification on the news article "AG Finance debuts; shares up slightly" posted on BusinessWorld Online on 13 August 2013
September 16, 2013	Board of Directors confirmation of the appointment of Atty. Elmer B. Serrano as Corporate Incormation Officer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ________________________on_________, 20__.

By:

Tony O. King
Chairman

Leila E. Jorge
President

Emiliana Mauricio
Accounting Manager

SUBSCRIBED AND SWORN to before me this 15 day of April affiant(s) exhibiting to their evidence of identity, as follows:

NAMES	Competent Evidence of Identity	DATE OF ISSUE	PLACE OF ISSUE
Tony O. King	103-901-321		
Leila E. Jorge	107-062-107		
Emiliana Mauricio	122-999-540		

Notary Public

Doc No. 32
Page No. 8
Book No. II
Series of 2014

KRISTINE R. BONGCAKON
Appointment No. 283 (2013-2014)
Notary Public for Pasig City
Until December 31, 2014
Attorneys Roll No. 60529
Suite 2401 The Orient Square,
F. Ortigas Jr. Road, Ortigas Center Pasig City
IBP No. 950021; 01.03.14; RSM
PTR No. 9629665; 01.03.14; Pasig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

AG Finance

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **AG FINANCE, INCORPORATED** (the Company), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013, 2012 and 2011 in accordance with Philippine Financial Reporting Standards. 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.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Tony O. King
Chairman of the Board

Leila E. Jorge
President

Emiliana G. Mauricio
Accounting Manager

RDO NO. 43A
15 APR 2014

Signed this 28th day of March 2014

SUBSCRIBED AND SWORN to before me this APR 15 2014 in Pasig City, affiants exhibiting to me their Tax identification Numbers 103-901-321, 107-062-107, and 122-999-540.

Doc. No. 471;
Page No. 85;
Book No. 27;
Series of 2014.

GAUDENCIO ... MENDOZA, JR.
NOTARY PUBLIC
Until December 31, 2014
PTR No. ... / 01-03-13
IBP No. ... / 12-26-12
Roll No. 41909

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012 AND 2011

COVER SHEET

A 2 0 0 1 1 5 1 5 1

S.E.C. Registration Number

A G F I N A N C E I N C O R P O R A T E D

(Company's Full Name)

U 2 2 0 5 A E A S T P S E C E N T R E E X C H A N G E R O A D O R T I G A S C E N T E R P A S I G

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

EMILIANA G. MAURICIO

Contact Person

6352835

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

A U D F S

FORM TYPE

0 6 2 8

Month *Day*

Annual Meeting

Financing

Secondary License Type, If Applicable

S E D C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Nine (9)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Punongbayan & Araullo

An instinct for growth™

Financial Statements and
Independent Auditors' Report

AG Finance, Incorporated

December 31, 2013, 2012 and 2011
(With Corresponding Figures as of January 1, 2012)

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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www.punongbayan-araullo.com

The Board of Directors and Stockholders
AG Finance, Incorporated
Unit 2205A, East Tower
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

15 APR 2014

Auditors' Responsibility

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

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

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

Opinion

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

Punongbayan & Araullo

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Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2013 required by the Bureau of Internal Revenue as disclosed in Note 23 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit 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.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 4222743, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1185-A (until Jan. 18, 2015)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-34 -2011 (until Sept. 21, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 28, 2014

15 APR 2014

AG FINANCE, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as at January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	December 31, 2013	December 31, 2012 (As Restated – see Note 2)	January 1, 2012 (As Restated see Note 2)
A S S E T S				
CASH	7	P 251,338,578	P 90,428,846	P 5,933,575
LOANS RECEIVABLE - Net	8	175,843,636	240,309,956	149,995,293
PROPERTY AND EQUIPMENT - Net	9	14,885,287	14,213,086	15,457,460
DEFERRED TAX ASSETS	19	7,811,968	4,598,414	2,552,083
OTHER ASSETS - Net	10	1,186,045	1,399,818	4,306,541
TOTAL ASSETS		P 451,065,514	P 350,950,120	P 178,244,952
LIABILITIES AND EQUITY				
ACCRUED EXPENSES AND OTHER PAYABLES	12	P 7,168,775	P 6,598,010	P 5,790,772
LOANS PAYABLE	11	-	100,000,000	25,000,000
INCOME TAX PAYABLE		4,096,110	7,347,087	6,786,203
Total Liabilities		11,264,885	113,945,097	37,576,975
CAPITAL STOCK	13	261,824,002	75,000,000	75,000,000
ADDITIONAL PAID-IN CAPITAL	13	74,277,248	-	-
DEPOSITS FOR FUTURE STOCK SUBSCRIPTION	13	-	53,150,000	-
STOCK DIVIDENDS DISTRIBUTABLE	13	-	65,600,002	-
REVALUATION RESERVE	17	151,964	-	-
RETAINED EARNINGS		103,547,416	43,255,021	65,667,977
Total Equity		439,800,629	237,005,023	140,667,977
TOTAL LIABILITIES AND EQUITY		P 451,065,514	P 350,950,120	P 178,244,952

See Notes to Financial Statements.

AG FINANCE. INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012	2011
INTEREST INCOME	14	P 120,823,613	P 82,453,952	P 76,033,193
INTEREST EXPENSE	11	2,902,975	3,898,942	5,548,369
NET INTEREST INCOME		117,920,638	78,555,010	70,484,824
IMPAIRMENT LOSS	8	10,441,260	5,318,512	3,426,509
NET INTEREST INCOME AFTER IMPAIRMENT LOSS		107,479,378	73,236,498	67,058,315
OTHER OPERATING INCOME	15	16,379,159	16,542,601	12,904,907
OTHER OPERATING EXPENSES	16	41,095,361	28,083,417	22,380,170
PROFIT BEFORE TAX		82,763,176	61,695,682	57,583,052
TAX EXPENSE	19	22,470,781	18,508,636	17,318,722
NET PROFIT		60,292,395	43,187,046	40,264,330
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Gain on remeasurement of post employment benefit obligation	2, 17	151,964	-	-
TOTAL COMPREHENSIVE INCOME		P 60,444,359	P 43,187,046	P 40,264,330
Earnings Per Share				
Basic and Diluted	21	P 0.33	P 0.38	P 0.35

See Notes to Financial Statements.

AG FINANCE, INCORPORATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Note	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Stock Dividends Distributable	Revaluation Reserve	Retained Earnings	Total Equity
BALANCE AT JANUARY 1, 2013		P 75,000,000	P -	P 53,150,000	P 65,600,002	P -	P 43,255,021	P 237,005,023
Transaction with owners								
Issuance of shares	13	186,824,002	74,277,248	(53,150,000)	(65,600,002)	-	-	142,351,248
Total comprehensive income								
Net profit for the year		-	-	-	-	-	60,292,395	60,292,395
Other comprehensive income	17	-	-	-	-	151,964	-	151,964
		-	-	-	-	151,964	60,292,395	60,444,359
BALANCE AT DECEMBER 31, 2013	13	**P 261,824,002**	**P 74,277,248**	**P -**	**P -**	**P 151,964**	**P 103,547,416**	**P 439,800,629**
BALANCE AT JANUARY 1, 2012		P 75,000,000	P -	P -	P -	P -	P 65,667,977	P 140,667,977
Transactions with owners								
Receipt of deposits for future stock subscription during the year	13	-	-	53,150,000	-	-	-	53,150,000
Declaration of stock dividend	13	-	-	-	65,600,002	-	(65,600,002)	-
		-	-	53,150,000	65,600,002	-	(65,600,002)	53,150,000
Total comprehensive income								
Net profit for the year		-	-	-	-	-	43,187,046	43,187,046
BALANCE AT DECEMBER 31, 2012	13	P 75,000,000	P -	P 53,150,000	P 65,600,002	P -	P 43,255,021	P 237,005,023
BALANCE AT JANUARY 1, 2011		P 30,000,000	P -	P -	P -	P -	P 25,403,647	P 55,403,647
Transaction with owners								
Issuance of shares	13	45,000,000		-	-	-	-	45,000,000
Total comprehensive income								
Net profit for the year		-	-	-	-	-	40,264,330	40,264,330
BALANCE AT DECEMBER 31, 2011	13	P 75,000,000	P -	P -	P -	P -	P 65,667,977	P 140,667,977

See Notes to Financial Statements.

AG FINANCE, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 82,763,176	P 61,695,682	P 57,583,052
Adjustments for:				
Impairment loss	[illegible]	10,441,260	5,318,512	3,426,509
Interest Expense	11	2,902,975	3,898,942	5,548,369
Depreciation	[illegible]	1,811,329	1,822,942	1,623,488
Unrealized foreign currency (gains) losses - net		(955,635)	947,086	(137,249)
Operating profit before changes in assets and liabilities		96,963,105	73,683,164	68,044,169
Decrease (increase) in loans and receivables - net		54,025,060	(95,633,175)	(24,955,897)
Decrease (increase) in other assets		210,623	2,900,478	(3,263,594)
Increase (decrease) in accrued expenses and other payables		819,959	742,656	(792,537)
Cash from (used in) operations		152,018,747	(18,306,877)	39,032,141
Cash paid for taxes		(28,997,288)	(19,987,839)	(14,756,181)
Net Cash From (Used in) Operating Activities		123,021,459	(38,294,717)	24,275,960
CASH FLOWS FROM INVESTING ACTIVITY				
Acquisitions of property and equipment	9	(2,483,530)	(578,568)	(6,015,848)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	13	142,351,248	-	-
Repayment of bank loans	1.	(100,000,000)	(25,000,000)	(65,000,000)
Interest paid on bank loans	1.	(2,935,079)	(3,834,359)	(5,515,730)
Availments of bank loans	1:	-	100,000,000	15,000,000
Proceeds from deposits for future stock subscription	13	-	53,150,000	45,000,000
Repayments of advances from shareholders		-	-	(12,050,024)
Net Cash From (Used in) Financing Activities		39,416,169	124,315,641	(22,565,754)
Effect of Exchange Rate Change in Cash		955,635	(947,086)	137,249
NET INCREASE (DECREASE) IN CASH		160,909,733	84,495,271	(4,168,393)
CASH AT BEGINNING OF YEAR		90,428,846	5,933,575	10,101,968
CASH AT END OF YEAR		P 251,338,578	P 90,428,846	P 5,933,575

Supplemental Information on Non-cash Financing Activities

In 2013, the Company issued 118,750,002 shares of stock by way of distribution of the stock dividend declared in 2012 amounting to P65,600,002 and application of the deposits for future stock subscription of P53,150,000 received in 2012 (see Note 13).

See Notes to Financial Statements.

AG FINANCE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Organization and Operations

AG Finance, Incorporated (the Company) was organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 14, 2001. It is authorized to operate as a financing company and is governed by Republic Act (R.A.) No. 8556, *The Financing Company Act of 1998* (see Note 20).

As a financing entity, the Company presently extends credit facilities for various purposes and provides access to immediate funds to employees of other domestic entities and to individuals availing of the Company's Overseas Filipino Workers (OFW) Financing Program.

The common shares of the Company are listed and traded on the Main Board of the Philippine Stock Exchange, Inc. (PSE) beginning August 13, 2013.

The Company's registered office, which is also its principal place of business, is located at Unit 2205A, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

1.2 Approval of the Financial Statements

The financial statements of the Company for the year ended December 31, 2013 (including the comparative financial statements for the year ended December 31, 2012 and the corresponding figures as at January 1, 2012) were approved and authorized for issue by the Company's Board of Directors on March 28, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Company presents all items of income and expenses in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Company's adoption of the new standards and amendments to existing standards did not result in material retrospective restatement of its financial statements [see Note 2.2(a)]. Nevertheless, a reclassification of an account in the comparative statements of financial position is made to conform to the presentation of the account in the 2013 statement of financial position. Accordingly, a third statement of financial position is presented.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Company

In 2013, the Company adopted for the first time the following new PFRS, revisions and amendments thereto that are relevant to the Company and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 13	:	Fair Value Measurement
Annual Improvements		Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below and in succeeding pages are the relevant information about these amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss, and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied prospectively because the Company has no other comprehensive income other than its actuarial gain on the remeasurement of its post-employment benefit which arose from its prospective application of the revised PAS 19 as disclosed in Note 2.2(a)(ii) below.

(ii) PAS 19 (Revised 2011), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The impact of the Company's adoption of the PAS 19 (Revised 2011) is not material to the Company's financial statement which only amounted to P27,861; accordingly, the Company has applied PAS 19 (Revised 2011) prospectively.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation.* The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The adoption of this amendment did not result in any significant changes in the Company's disclosures on its financial statements as it has no master netting arrangements or similar agreements.

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 6, the application of this new standard had no significant impact on the amounts recognized in the financial statements.

(v) 2009 - 2011 Annual Improvements to PFRS. *Annual improvement to PFRS* (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Company:

(a) PAS 1 (Amendment), *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information.* The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the third statement of financial position are not required to be presented.

Consequent to the reclassification of an account in the statement of financial position [see Note 2.1(b)], the Company has presented a third statement of financial position as at January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

(b) PAS 32 (Amendment), *Financial Instruments - Presentation - Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes.* Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Company's financial statements as it has been recognizing the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with PAS 12.

(b) Effective in 2013 that are not Relevant to the Company

PFRS 1 (Amendments)	:	First-time Adoption of PFRS – Government Loans, and Repeated Application of PFRS 1 and Borrowing Cost
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosure of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associate and Joint Venture
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 10, 11 and 12 (Amendment)	:	Amendments to PFRS 10, 11 and 12 - Transition Guidance to PFRS 10, 11 and 12
Philippine Interpretations International Financial Reporting Interpretation Committee 20	:	Stripping Costs in the Production Phase of A Surface Mine

(c) Effective Subsequent to 2013 but are not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans - Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Company's financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Company does not expect this amendment to have a significant impact on its financial statements.

(iii) PFRS 9, *Financial Instruments: Classification and Measurement.* This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement,* in its entirety. The first phase of the standard was issued on November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Company does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Company and it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) Annual Improvements to PFRS. Annual improvements to PFRS (2010- 2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Company but management does not expect a material impact on the Company's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements, and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

(b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instruments. Financial assets, other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs related to it are recognized in profit or loss.

At present, the Company's financial assets pertain to loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is an objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The Company's financial assets categorized as loans and receivables are presented as Cash, Loans Receivable and Advances to Employees and Clients included under Other Assets in the statement of financial position. Cash includes cash on hand and demand deposits which are all readily available for the Company's day-to-day operations.

Interest income, interest expense and impairment losses, relating to financial assets are presented as separate items in the statement of comprehensive income, unless indicated otherwise.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

2.4 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business.

2.5 Property and Equipment

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium units and parking lots	14 – 20 years
Furniture, fixtures and office equipment	3 – 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.6 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings and accrued expenses and other payables (except tax-related liabilities), are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Interest Expense in the statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accrued expenses and other payables are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.7 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Revenue and Expense Recognition

Revenue comprises interest income on loans and related processing fee on the issuances of loans.

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 following specific recognition criteria must also be met before revenue is recognized:

(a) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

(b) *Processing fees* – This is recognized in the statement of comprehensive income at the time the loan contract was agreed with the borrowers to the extent of the cost incurred for processing of the loans extended.

(c) *Penalties* – This is recognized in the statement of comprehensive income based on a certain percentage of monthly amortizations that were collected beyond due date.

(d) *Rental income* – Rental income is recognized on a straight-line basis over the term of the operating lease (see Note 2.10).

Cost and expenses are recognized in profit or loss upon utilization of goods and/or services or at the date they are incurred.

2.10 Leases

The Company accounts for its leases as follows:

(a) *Company as Lessee*

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Company as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes 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.

2.11 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of Other Operating Income or Other Operating Expenses.

2.12 Impairment of Financial Assets

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company assesses at the end of each reporting period 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 impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about certain loss events, including, among others: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

In addition, under Section 9(f) of the Rules and Regulations to implement the Provisions of R.A. No. 8556, a 100% allowance should be set up for the following:

(a) Clean loans and advances past due for a period of more than six (6) months;

(b) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;

(c) Past due loans secured by real estate mortgage the title to which is subject to an adverse claim rendering settlement through foreclosure is doubtful;

(d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;

(e) Accrued interest receivable that remains uncollected after six (6) months from the maturity date of the loan to which it accrues; and,

(f) Accounts receivable past due for 361 days or more.

The above loss events were considered in the allowance for probable losses recorded by the Company, based on the guidelines and requirements of PAS 39 (see Note 20.3).

2.13 Impairment of Non-financial Assets

The Company's property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, a defined contribution plan and various other benefits.

(a) Post-employment Defined Benefit Plans

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit employment plan covers all regular full-time employees.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets (if any). The DBO is regularly calculated using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published in the Philippine Dealing Exchange Corporation (PDEx), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurement, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net) is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset and is included as part of interest expense or interest income.

Past-service costs, if any, are recognized immediately in profit or loss in the period of plan adjustment.

(b) Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Accrued Expenses account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.15 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.16 Earnings Per Share (EPS)

Earnings per share (EPS) is computed by dividing net profit by the weighted average number of common shares subscribed and issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period (see Note 21).

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have dilutive potential shares outstanding.

2.17 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Deposit for future stock subscription is deposit received by the Company from stockholders for their subscriptions relative to the proposed increase in the authorized capital stock of the Company.

Stock dividend distributable is distribution of retained earnings among stockholders as of record date in the form of additional shares of stock.

Revaluation reserve arises from the changes in financial assumptions and experience adjustments in measuring the present value of the defined benefit obligation.

Retained earnings include all current and prior period results of operations as reported in the statement of comprehensive income.

2.19 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Distinguishing Operating and Finance Leases

The Company has entered into lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and provisions and contingencies are discussed in Note 2.8 and disclosures on relevant provisions and contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Allowance for Impairment of Loans Receivable

Adequate amount of allowance is made and provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the Company's knowledge and understanding of borrowers' paying capacity, the borrowers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The Company also considers the loan loss provisioning requirements of R.A. No. 8556.

The carrying value of loans receivable and the analysis of allowance for impairment on such financial assets are shown in Note 8.

(b) *Estimating Useful Lives of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are presented in Note 9. There is no change in the estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Determining Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2013 and 2012 will be fully utilized within the next two to three years. The carrying value of deferred tax assets as at those dates is disclosed in Note 19.

(d) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.13. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2013 and 2012.

(e) *Valuation of Post-employment Defined Benefit*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuarics in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and the carrying amount of post-employment obligation in such future periods.

The amounts of post-employment benefit obligation and related expense, and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 17.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to its financial instruments. The Company's risk management focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

4.1 Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to foreign currency exchange rates arise from the Company's loans to OFWs, which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar-denominated financial assets and liabilities, translated to Philippine pesos at closing rate, are as follows:

	2013	2012
Cash	P 1,425,648	P 710,854
Loans to OFWs	8,196,366	8,896,643
	P 9,622,014	P 9,607,497

The effect on the Company's profit before tax with respect to changes in Philippine peso against U.S. dollar amounted to P2.3 million in 2013 and P1.3 million in 2012 at reasonably possible change in rates of 23.61% and 13.83%. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions denominated in U.S. dollar. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting loans to borrowers and placing deposits with banks.

The Company continuously monitors defaults of borrowers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	2013	2012
Cash	7	**P 251,338,578**	P 90,428,846
Loans receivable - net	8	**175,843,636**	240,309,956
Advances to employees and clients	10	**673,064**	724,914
		P 427,855,278	P 331,463,716

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash in bank is considered negligible since the counterparties are reputable banks with high quality external credit rating. Cash in bank is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Loans Receivable

In respect of loans receivable, the Company is not exposed to any significant credit exposure to any single counterparty or and group of counterparties having similar characteristics. The Company manages credit risk by setting limits for individual borrowings, and group of borrowers and industry segments. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Company actively seeks to increase its exposure in industry sectors which it believes to possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. As the Company's loans portfolio is composed of transactions with OFWs, the results of operations and financial condition of the Company may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

(c) Advances to Employees and Other Clients

With respect to the Company's advances to employees and clients, the Company is not exposed to any significant credit exposure. Past due but not impaired advances to employees and other clients amounted to P2.5 million in 2013 and P0.7 million in 2012.

Some of the unimpaired financial assets of the Company, which are all trade receivables, are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2013	2012
Not more than 3 months	**P 4,517,438**	P 8,162,747
More than 3 months but not more than 6 months	**12,585,172**	25,495,849
More than 6 months but not more than one year	**-**	11,092,580
	P 17,102,610	P 44,751,176

The Company provides 100% allowance for impairment on loans that are already past due for more than 180 days in 2013 and when there are specific circumstances identified that clearly indicate impairment of the assets.

4.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following summarizes the maturities and settlement dates of the Company's financial liabilities as at December 31, 2013 and 2012 based on undiscounted amounts:

	2013		2012	
	Within 6 Months	**6 to 12 Months**	Within 6 Months	6 to 12 Months
Loans	**P -**	**P -**	P100,976,042	P -
Accrued expenses and other payables	**3,959,398**	**-**	4,096,311	-
	P 3,959,398	**P -**	P105,072,353	P -

Since the financial liabilities reflect gross cash flows, the above amounts may differ from the carrying values of the liabilities at the reporting period.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2013 and 2012, management determined that the carrying amounts of the Company's financial assets and liabilities are equal to or approximate their fair values. A summary of these financial instruments by category is presented below.

	Notes	2013 Carrying Amount	2013 Fair Value	2012 Carrying Amount	2012 Fair Value
Financial Assets					
Cash	7	P 251,338,578	P 251,338,578	P 90,428,846	P 90,428,846
Loans and receivable	8	175,843,636	175,843,636	240,309,956	240,309,956
Advances to employees and other clients	10	673,064	673,064	724,914	724,914
		P 427,855,278	P 427,855,278	P 331,483,666	P 331,483,666
Financial Liabilities					
Loans payable	11	P -	P -	P 100,000,000	P 100,000,000
Accrued expenses and other payables	12	4,501,758	4,501,758	4,233,811	4,387,071
		P 4,501,758	P 4,501,758	P 104,233,811	P 104,233,811

See Notes 2.3 and 2.6 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

6. FAIR VALUE MEASUREMENT AND DISCLOSURE

PFRS 13 requires that financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is required to be disclosed in accordance with other relevant PFRS to be categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

As at December 31, 2013, the Company neither has assets and liabilities measured at fair value nor does it have assets and liabilities required to be disclosed at fair value (see Note 5). Accordingly, it has no assets and liabilities categorized into the foregoing levels.

7. CASH

Cash includes the following components as at December 31:

	2013	2012
Cash in banks	P 251,328,578	P 90,418,846
Cash on hand	10,000	10,000
	P 251,338,578	P 90,428,846

Cash in banks consists of regular current, savings, and time deposit accounts with local banks earning interest at rates based on daily bank deposit rates.

8. LOANS RECEIVABLE

The composition of this account is as follows:

	2013	2012
Loans receivable	P 166,190,842	P 218,959,914
Interest receivable	34,583,322	35,839,310
	200,774,164	254,799,224
Allowance for impairment	(24,930,528)	(14,489,268)
	P 175,843,636	P 240,309,956

All loans are not secured by any collateral. Salary loans granted to employees of other domestic entities bear annual interest rates ranging from 22% to 42% in 2013 and 2012. Loans to individuals who avail of the Company's OFW Financing Program bear annual interest at rates ranging from 42% to 54% in both years. All salary loans are due within one year or less. OFW loans have maturity dates that fall within 8 to 20 months.

All of the Company's loans receivables have been reviewed for indications of impairment. Certain loans receivable, which are mostly due from OFWs, were found to be impaired, hence, adequate amounts of allowance for impairment have been recognized.

The maturity profile of the Company's gross receivables from its borrowers follows:

	2013	2012
Within one year	P 67,255,161	P 212,672,564
More than one year	98,935,681	6,287,350
	P 166,190,842	P 218,959,914

Changes in the allowance for impairment are summarized below.

	2013	2012
Allowance at beginning of year	P 14,489,268	P 9,170,756
Impairment loss during the year	10,441,260	5,318,512
Allowance at end of year	P 24,930,528	P 14,489,268

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2013 and 2012 are shown below.

	Condominium Units and Parking Lots	Furniture, Fixtures, Office Equipment and Transportation Equipment	Total
December 31, 2013			
Cost	P 19,909,183	P 5,112,779	P 25,021,962
Accumulated depreciation	(7,491,916)	(2,644,759)	(10,136,675)
Net carrying amount	P 12,417,267	P 2,468,020	P 14,885,287
December 31, 2012			
Cost	P 19,594,683	P 2,943,749	P 22,538,432
Accumulated depreciation	(6,110,664)	(2,214,682)	(8,325,346)
Net carrying amount	P 13,484,019	P 729,067	P 14,213,086
January 1, 2012			
Cost	P 19,585,593	P 2,374,270	P 21,959,863
Accumulated depreciation	(4,758,846)	(1,743,557)	(6,502,403)
Net carrying amount	P 14,826,747	P 630,713	P 15,457,460

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2013 and 2012 is shown below.

	Condominium Units and Parking Lots	Furniture, Fixtures, Office Equipment and Transportation Office Equipment	Total
Balance at January 1, 2013 net of accumulated depreciation	P 13,484,019	P 729,067	P 14,213,086
Additions	314,500	2,169,030	2,483,530
Depreciation charges for the year	(1,381,252)	(430,077)	(1,811,329)
Balance at December 31, 2013, net of accumulated depreciation	P 12,417,267	P 2,468,020	P 14,885,287
Balance at January 1, 2012 net of accumulated depreciation	P 14,826,747	P 630,713	P 15,457,460
Additions	9,089	569,479	578,568
Depreciation charges for the year	(1,351,817)	(471,125)	(1,822,942)
Balance at December 31, 2012, net of accumulated depreciation	P 13,484,019	P 729,067	P 14,213,086

No impairment loss was recognized in 2013 and 2012. Further, these assets are not subject to any liens and encumbrances in both years.

As at December 31, 2013 and 2012, the Company has several fully-depreciated assets that are still in use; these assets have a total cost of P2.3 million and P1.6 million, respectively.

10. OTHER ASSETS

This composition of this account is shown below:

	Note	2013	2012
Advances to employees and clients	18.4	P 673,064	P 724,914
Prepayments		131,468	259,145
Miscellaneous		381,513	415,759
		P 1,186,045	P 1,399,818

11. LOANS PAYABLE

As at December 31, 2012, the Company has outstanding loans payable amounting to P100.0 million. Its maturity profile is presented in Note 4.3. Bank loans, which were obtained to finance the Company's operations, represent unsecured loans from local banks that bear interest ranging from 5.75% to 6.75% in 2012. Interest expense on loans payable amounted to P2.9 million in 2013 and P3.9 million in 2012, and is presented as Interest Expense in the statements of comprehensive income. In 2013, the Company made a full settlement of its outstanding loans due to local banks.

Accrued interest amounted to P137,500 as at December 31, 2012 and is presented as part of Accrued Expenses and Other Payables account in the statements of financial position (see Note 12). There are no outstanding interest payable in 2013.

12. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	Notes	2013	2012
Accrued expenses	11	P 3,026,532	P 1,867,270
Post-employment benefit obligation	17.2	2,064,999	1,699,939
Sundry credits		1,475,226	2,229,041
Withholding taxes		582,595	748,246
Others		19,423	53,514
		P 7,168,775	P 6,598,010

Accrued expenses include unpaid utilities and interest on loans, professional fees and other expenses that are expected to be settled within 12 months from the end of the reporting period. Sundry credits represent unapplied collections from the borrowers.

The carrying amount of accrued expenses and other payables, which are expected to be settled within the next 12 months from the end of the reporting period is a reasonable approximation of fair value (see also Note 5).

13. EQUITY

13.1 Capital Management Objectives, Policies and Procedures

The Company manages its capital to ensure that the Company will be able to continue as a going concern entity while maximizing the return to its stockholders, by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity less cash as presented on the face of the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Under Section 6 of the R.A. No. 8556, the Company is required to maintain a minimum paid-up capital of not less than P10.0 million. The Company is in compliance with the minimum paid-up capital requirement as at December 31, 2013 and 2012 (see Notes 13.2 and 20.1).

The Company's capital and overall financing as at December 31, 2013 and 2012 are determined as follows:

	2013	2012
Total equity	P 439,800,629	P 237,005,023
Cash	(251,338,578)	(90,428,846)
Capital	P 188,462,051	P 146,576,177
Loans payable	P -	P 100,000,000
Total equity	439,800,629	237,005,023
Overall financing	P 439,800,629	P 337,005,023
Capital-to-overall financing ratio	1.00 : 2.33	1.00 : 2.30

13.2 Capital Stock

The Company's application for listing of its common shares was approved by the PSE on July 24, 2013. The application is for the initial listing of up to 261,824,002 common shares, with par value of P1 per share, at an offer price of P2.18 per share. The proceeds from the sale of the Company's listed shares amounted to about P148.4 million. Capital stock consists of common shares as follows:

	Number of Shares		Amount	
	2013	2012	**2013**	2012
Authorized shares – P1 par	**550,000,000**	75,000,000	**P 550,000,000**	P 75,000,000
Issued and outstanding:				
Balance at beginning of year	**75,000,000**	75,000,000	**P 75,000,000**	P 75,000,000
Issuance of shares during the year through:				
Application of deposits for future stock subscription	**53,150,000**	-	**53,150,000**	-
Stock dividends distributed	**65,600,002**	-	**65,600,002**	-
Cash subscription	**68,074,000**	-	**68,074,000**	-
Balance at end of year	**261,824,002**	75,000,000	**P 261,824,002**	P 75,000,000

As of December 31, 2013, there are 2 holders of the listed shares equivalent to 100% of the Company's total outstanding shares. Such listed shares closed at P3.10 as of December 27, 2013 (the last trading day in 2013).

The Company has no other traded securities as at December 31, 2013.

13.3 Deposits for Future Stock Subscription

On June 29, 2012, the Company's BOD and stockholders approved the proposed increase in its authorized capital stock from P75,000,000 divided into 75,000,000 shares of stock to P550,000,000 divided into 550,000,000 shares both with a par value of P1 per share. Out of the proposed increase in the authorized capital stock, 118,750,002 shares will be subscribed and of which subscription will be paid in the form of cash and stock dividend. On June 29, 2012, the Company's BOD approved the declaration of stock dividends amounting to P65,600,002 (see Note 13.4).

On November 29, 2012, the Company presented and filed its application for the increase in its authorized capital stock with the SEC. On December 11, 2012 and December 14, 2012, the stockholders initially subscribed to such proposed increase by paying cash amounting to P53,150,000, which is presented as Deposits for Future Stock Subscription in the 2012 statement of financial position pending approval by the SEC of the proposed increase in authorized capital stock. Such application was formally accepted by the SEC on January 11, 2013 on which necessary SEC fees amounting to P960,010 has been paid. On February 13, 2013, the said application for the increase in authorized capital stock was approved by the SEC. Correspondingly, the shares subscribed through cash deposits were issued upon application of such deposits for future stock subscription.

On July 24, 2013, the Board of Directors of the PSE approved the Company's application for the listing of its common stock. The approval covers the Company's initial listing up to 261,824,002 common shares with a par value of P1.00, under the Main Board of the PSE. A total number of 68,074,000 common shares were offered

13.4 Stock Dividends Distributable

On June 29, 2012, the Company's BOD approved the declaration of stock dividend amounting to P65,600,002 divided into 65,600,002 shares at P1 par value. Consistent with Note 13.3, portion of the application for the increase in authorized capital stock were subscribed and paid in the form of stock dividend. Stock dividend were set to be issued to the corresponding proportionate shares of stock to stockholders of record as of June 29, 2012. Upon approval of the application for the increase in authorized capital stock, the stock dividend distributable was transferred to capital stock and the corresponding shares were issued.

13.5 Additional Paid-In Capital

Total proceeds received from the IPO amounted to P148.4 million of which P74.3 million is treated as Additional Paid-In Capital (APIC) being the amount paid in excess of the capital stock's par value. Total share issuance costs deducted from APIC amounted to P6.1 million, net of tax. Offer expenses from the IPO amounting to P6.5 million were presented as part of Other Operating Expenses in the 2013 statements of comprehensive income (see Note 16).

14. INTEREST INCOME

Interest income consists of the following:

	Notes	2013	2012	2011
OFW financing program	8	**P112,159,870**	P 74,930,823	P 69,023,622
Salary and emergency loans	8	**8,198,039**	7,455,004	6,956,016
Cash in banks	7	**465,704**	68,125	53,555
		P120,823,613	P 82,453,952	P 76,033,193

15. OTHER OPERATING INCOME

This comprises the following:

	Notes	2013	2012	2011
Processing fees	8	**P 8,623,005**	P 11,752,236	P 7,778,972
Penalties	8	**6,737,519**	4,664,365	4,925,686
Rental income	18.3	**63,000**	126,000	63,000
Unrealized foreign currency gains		**955,635**	-	137,249
		P 16,379,159	P 16,542,601	P 12,904,907

16. OTHER OPERATING EXPENSES

This comprises the following expenses:

	Notes	2013	2012	2011
Salaries and employee benefits	17.1	**P 10,143,096**	P 8,223,669	P 6,991,143
Taxes and licenses	23.1 (e)	**9,569,789**	6,498,911	5,432,072
Professional fees		**5,117,208**	1,144,440	763,880
Contractual services		**1,915,382**	1,705,460	1,508,085
Depreciation	9	**1,811,329**	1,822,942	1,623,487
IPO offer expenses		**1,705,979**	-	-
Transportation and travel		**1,512,182**	1,459,702	388,195
Communication and utilities		**1,347,229**	1,206,572	1,228,063
Office supplies		**1,302,461**	945,532	1,028,223
Legal and bank charges		**1,142,110**	125,254	118,751
Marketing and collection		**1,136,673**	1,427,377	1,096,158
Unrealized foreign currency losses		**-**	947,086	-
Representation		**1,055,152**	800,395	416,807
Dues and subscriptions		**560,496**	598,149	490,596
Insurance		**391,663**	281,147	296,501
Brokers' commission		**265,006**	-	-
Miscellaneous		**2,119,606**	896,781	998,209
		P 41,095,361	P 28,083,417	P 22,380,170

17. EMPLOYEE BENEFITS

17.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2013	2012	2011
Salaries	16	**P 9,361,601**	P 7,379,437	P 6,273,936
Post-employment benefits	17.2	**476,754**	418,256	271,427
Others		**304,741**	425,976	445,780
		P 10,143,096	P 8,223,669	P 6,991,143

17.2 Post-Employment Benefit Obligation

(a) Characteristics of the Defined Benefit Plan

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under R.A. No. 7641, *The Retirement Pay Law,* which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in lump sum upon retirement.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of 10 years of accredited service and late retirement after age 65, both subject to the approval of the Company. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2013 which already considers the effect of the adoption of PAS 19 (Revised), see Note 2.2(a)(ii).

The movements in the present value of the post-employment benefit obligation recognized in the books are as follows:

	2013	2012
Balance at beginning of year	**P 1,699,939**	P 1,281,683
Current service cost	**476,754**	310,960
Interest expense	**105,396**	88,436
Remeasurements – actuarial gains (losses) arising from:		
-changes in financial assumptions	**69,020**	500,874
-changes in demographic assumptions	**84,997**	-
-experience adjustments	**(371,107)**	(482,014)
Balance at end of year	**P 2,064,999**	P 1,699,939

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit obligation are as follows:

		2013		2012		2011
Recognized in profit or loss						
Current service cost	P	**476,754**	P	310,960	P	160,155
Net actuarial loss recognized		**-**		18,860		7,216
Interest cost (income)		**105,396**		88,436		104,056
	P	**582,150**	P	418,256	P	271,427
Recognized in other comprehensive income						
Actuarial gains (losses) arising from:						
-changes in financial assumptions	**P**	**48,314**	P	-	P	-
-experience adjustments	**(**	**259,775)**		-		-
-changes in demographic assumptions		**59,497**		-		-
	(P	**151,964)**	P	-	P	-

Current service cost is presented as part of Salaries and Employee Benefits account under Other Operating Expenses while interest expense is included under Interest Expense in the statements of comprehensive income.

Amounts recognized in other comprehensive income were included within the items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

	2013	2012
Discount rates	**6.00%**	6.20%
Salary increase rate	**8.00%**	8.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 14. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms of maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk, and salary risk.

(d) Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(e) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(f) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the actuarial valuation report date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement, based on changes in the relevant assumption that were reasonably possible at the valuation date, while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the defined benefit obligation.

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2013:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+0.50%	P 1,812,966	P 2,166,525
Salary increase rate	-0.50%	2,152,026	1,823,616

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

(ii) Funding Arrangements and Expected Contributions

The Company does not have a formal retirement plan yet and as such its post-employment obligation remains unfunded as at December 31, 2013.

The schedule of expected future benefit payments for the next 5 years is as follows:

Within one year	P	-
More than one year to five years		325,950
More than five years		-
	P	325,950

The weighted average duration of the defined benefit obligation at the end of the reporting period is 14 years.

18. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, related parties under common ownership, its key management personnel and others as described in Note 2.17. A summary of the Company's transactions with its related parties for the years ended December 31, 2013 and 2012 is presented below.

Relationship Category	Note	Amount of Transactions 2013	2012	2011	Outstanding Balance 2013	2012
Stockholders:						
Cash advances	18.1	**P -**	P -	(P 12,050,024)	**P -**	P -
Issuance of shares	18.2	**261,101,250**	53,150,000		**-**	53,150,000
Declaration of stock dividends		**-**	65,600,002	-	**-**	-
Key Management Personnel:						
Cash advances	18.4	**-**	4,356	-	**-**	1,763
Compensation	18.4	**3,573,229**	3,599,120	3,481,116	**-**	-
Related Party Under Common Ownership –						
Lease of property	18.3	**63,000**	126,000	63,000	**-**	-

18.1 Advances from Stockholders

Advances from stockholders represent emergency funds for use in the Company's operations, which are unsecured, non-interest bearing and are payable within a year. It did not have any of these transactions in 2013, 2012 and 2011 except for the settlement of the outstanding balance of P12.0 million as at December 31, 2010.

18.2 Issuance of shares and stock subscription

In 2012, cash deposits for future stock subscriptions were received from stockholders. In the same year, the Company declared stock dividends to its stockholders and in 2013, shares were issued to its stockholders. Details of these transactions are discussed fully in Notes 13.4 to 13.5.

18.3 Lease of Condominium Unit to a Related Party

In 2013 and 2012, the Company subleases to Philippine Management, Inc (PMI), a related party under common control, a condominium unit that it rents at the Philippine Stock Exchange Centre, Exchange Road Ortigas Center, Pasig City, under an operating lease agreement. Rent income amounted to P63,000 in 2013, P126,000 in 2012, and P63,000 in 2011 and were presented as part of Other Operating Income in the statements of comprehensive income (see Note 15). There were no accrued rent income due from PMI as at December 31, 2013 and 2012.

18.4 Key Management Compensation and Advances

Key management compensation consists of:

	2013	2012	2011
Salaries	P 3,389,021	P 3,418,347	P 3,310,210
Other benefits	184,208	180,773	170,906
	P 3,573,229	P 3,599,120	P 3,481,116

There is no outstanding amount due to those key management personnel as at December 31, 2013 and 2012.

Advances are made to key management personnel in the ordinary course of business for purposes of carrying out business activities. Unliquidated expenses are treated as receivable from key management until liquidated or paid. The outstanding balance of advances to key management personnel as at December 31, 2012 amounts to P1,763 and is presented as part of Advances to Employees and Clients under Other Assets in the statements of financial position (see Note 10).

19. TAXES

The components of tax expense as reported in the statements of profit or loss follow:

	2013	2012	2011
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 25,656,321	P 20,541,342	P 18,274,493
Final tax at 20%	93,141	13,624	10,711
	25,749,462	20,554,966	18,285,204
Deferred tax income relating to origination and reversal of temporary differences	(3,278,681)	(2,046,330)	(966,482)
	P 22,470,781	P 18,508,636	P 17,318,722

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of comprehensive incomes follows:

	2013	2012	2011
Tax on pretax profit at 30%	**P 24,828,953**	P 18,508,705	P 17,274,915
Adjustment for income to lower tax rates	**(46,570)**	(6,813)	(5,356)
Tax effects of:			
Non-deductible expenses	**46,105**	6,744	5,303
Share Issue costs deducted from APIC	**(1,815,232)**	-	-
Previously unrecognized deferred tax liability/ (asset)	**(542,475)**	5,658	-
Reversal of previously recognized deferred tax asset	**-**	-	43,680
Tax expense	**P 22,470,781**	P 18,508,636	P 17,318,722

The net deferred tax assets relate to the following as at December 31:

	Statements of Financial Position			Statement of Comprehensive Income		
	2013	2012	2011	**2013**	2012	2011
Allowance for impairment loss	**P 7,479,158**	P 3,786,078	P 2,190,525	**P 3,693,080**	P 1,595,553	P 1,027,953
Accrual of post-employment obligation	**619,500**	528,210	402,733	**156,417**	125,477	81,428
	8,098,658	4,314,288	1,787,792	**3,849,497**	1,721,030	1,109,381
Unrealized forex losses (gains)	**(286,690)**	284,126	(41,175)	**(570,816)**	325,300	(142,899)
Deferred tax Asset	**P 7,811,968**	P 4,598,414	P 2,552,083			
Deferred tax Income				**P 3,278,681**	P 2,046,330	P 966,482

The Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. No MCIT was reported in 2013, 2012 and 2011 as the RCIT was higher than MCIT in each of these years.

In 2013, 2012 and 2011, the Company opted to claim itemized deductions in computing its income tax due.

20. COMPLIANCE WITH R.A NO. 8556, THE FINANCING COMPANY ACT OF 1988

The Company, which was organized for the purpose of extending credit facilities to consumers by direct lending, is governed by the R.A. No. 8556. Presented below are the significant provisions under R.A. No. 8556 that are applicable to the Company.

20.1 Form of Organization

Under Section 2 of R.A. No. 8556, financing companies shall be organized in a form of stock corporation in accordance with the provisions of the Corporation Code of the Philippines, subject to the following:

(a) At least forty percent (40%) of the voting stock of the corporation shall be owned by citizens of the Philippines;

As at December 31, 2013 and 2012, the Company's capital stock is 100% owned by Filipino citizens.

(b) A minimum paid-up capital of P10,000,000 for financing companies located in Metro Manila and other 1st class cities; and,

The Company is in compliance with the minimum paid-up capital requirement as at December 31, 2013 and 2012 (see Note 13.1).

(c) The corporate name of financing companies shall contain the term "financing company" or other title or word(s) descriptive of its operations and activities as a financing company (see Note 1.1).

20.2 Licensing Fees

Under Section 8 of R.A. No. 8556, an annual fee amounting to P10,000 for offices in Metro Manila shall be charged and the same shall be paid not later than forty five (45) days before the anniversary date of the Certificate of Authority to Operate as a Financing Company and for as long as its licence to operate is in effect.

The Company's licensing fees for 2013, 2012 and 2011 are presented as part of Taxes and Licenses account under Other Operating Expenses in the statements of comprehensive income (see Note 16).

20.3 Loans and Investments

The following are the provisions under Section 9 of the R.A. No. 8556:

(a) The total investment of a financing company in real estate and in shares of stock in a real estate development corporation and other real estate based projects shall not at any time exceed 25% of its net worth.

The Company has no such investments as at December 31, 2013 and 2012.

(b) More than 50% of the funds of a financing company shall be used or invested in financing company activities; provided, that in the computation of the amount of funds used or invested in financing company activities, investments in government securities with maturity not more than one (1) year and special savings deposits shall be taken into consideration.

The Company used 39% in 2013 and 65% of its funds in 2012 in financing activities amounting to P175.8 million and P240.0 million, respectively.

(c) The total credit that a financing company may extend to its directors, officers and stockholders shall not exceed 15% of its net worth.

Advances to officers amounting to P1,763 as at December 31, 2012 do not exceed 15% of the Company's net worth (see Note 18). There are no advances granted to officers as at December 31, 2013.

(d) The total credit that a financing company may extend to any person, company, corporation or firm shall not exceed 30% of its net worth.

The maximum loan extended to a borrower amounted to P1.2 million and P0.6 million which does not exceed 30% of the Company's net worth as at December 31, 2013 and 2012, respectively.

(e) Unless collected, interest income shall not be recognized on loans receivables that remain outstanding beyond maturity dates.

The Company is in compliance of this provision as it recognizes interest income earned from loan date up to its maturity.

(f) A 100% allowance for probable losses should be set up on certain loans and receivables that meet the requirements and conditions set by R.A. No. 8856 (see Note 2.12).

As mentioned in Note 2.12, the requirements and conditions set by R.A. No. 8556 in setting up the allowance for doubtful accounts were accordingly considered by the Company in the determination of impairment loss provision on its loans receivables (see Note 8).

21. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2013	2012 (As Restated)	2011 (As Restated)
Net profit	P 60,292,395	P 43,187,046	P 40,264,330
Divided by weighted average number of outstanding common shares	180,307,535	114,350,002	114,350,002
	P 0.33	P 0.38	P 0.35

Because of the distribution of stock dividends in 2013 (see Notes 2.16 and 13.3), the Company recalculated and restated its previously reported earnings per share, which is analyzed as follows:

	2012	2011
As previously reported	P 0.58	P 0.83
Adjustment due to stock dividend distribution	(0.20)	(0.48)
As restated	P 0.38	P 0.35

Previously, prior to the effect of the stock dividend, the weighted average number of outstanding common shares were 75,000,000 in 2012 and 48,750,000 in 2011.

22. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. As at December 31, 2013 and 2012, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented below is the supplementary information which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

23.1 Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 follows:

(a) Gross Receipts Tax

In lieu of the VAT, the Company is subject to the gross receipts tax (GRT), pursuant to Sections 121 and 122 of the Tax Code which is imposed on banks, non-bank financial intermediaries and finance companies.

In 2013, the Company reported GRT amounting to P7,305,044 [see Note 23.1 (e)]. The tax is levied on the Company's lending income, which includes interest, commissions, and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rate of 5% and is presented as part of Taxes and Licenses under Other Operating Expenses in the 2013 statement of comprehensive income.

(b) Taxes on Importation

The Company did not have any importation in 2013.

(c) Excise Tax

The Company did not have any transaction in 2013 which is subject to excise tax.

(d) Documentary Stamp Tax

In 2013, documentary stamp tax (DST) paid on bank loan agreements and issuance of shares amounted to P275,959 and P340,370, respectively.

(e) Taxes and Licenses

The details of taxes and licenses account (see Note 16) follow:

GRT	P	7,305,044
Municipal/business licenses and permits		734,065
DST		616,329
Real property taxes		180,534
Others		733,817
	P	9,569,789

(f) Withholding Taxes

The total withholding taxes for the year ended December 31, 2013 are shown below.

Compensation and employee benefits	P	1,424,337
Expanded		454,639
	P	1,878,976

(g) Final Taxes

The Company did not enter into any transactions that are subject to final tax.

(h) Deficiency Tax Assessments and Tax Cases

As at December 31, 2013, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

23.2 Requirements under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2013 statement of comprehensive income, which is based on PFRS.

(a) Taxable Revenues

The Company had taxable revenues for the year ended December 31, 2013 amounting to P120,357,909 arising from interest on loans.

(b) Deductible Cost of Services

Deductible costs of services under the regular tax regime for the year ended December 31, 2013 comprise the following:

Salaries and employee benefits	P	9,666,342
Interest expense		2,643,897
Marketing and collection fees		1,136,672
	P	13,446,911

(c) Taxable Other Income

The details of taxable other income in 2013, which are subject to regular tax rate, are shown below.

Processing fees	P	8,623,005
Penalties		6,737,519
Rent income		63,000
	P	15,423,524

(d) *Itemized Deductions*

The amounts of itemized deductions under the regular tax regime for the year ended December 31, 2013 follow:

Taxes and licenses	P	9,569,789
Initial public offering expenses		7,756,751
Professional fees		5,117,208
Contractual services		1,915,382
Depreciation		1,811,329
Transportation and travel		1,512,182
Communication and utilities		1,347,228
Office supplies		1,302,461
Legal and other bank charges		1,142,110
Representation		1,055,152
Dues and subscriptions		560,496
SSS, GSIS, Philhealth, HDMF and other contributions		474,438
Insurance		391,663
Brokers' commission		265,006
Rental		134,695
Charitable contributions		103,000
Repairs and maintenance		34,972
Trainings and seminars		19,600
Miscellaneous		2,299,989
	P	36,813,451

SUPPLEMENTARY SCHEDULES

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors To Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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The Board of Directors and the Stockholders
AG Finance, Incorporated
Unit 2205A, East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AG Finance, Incorporated for the year ended December 31, 2013, on which we have rendered our report dated March 28, 2013. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Company's management. The supplementary information have been subjected to the auditing procedures applied in the audit 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.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 4222743, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1185-A (until Jan. 18, 2015)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-34 -2011 (until Sept. 21, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 28, 2014

AG FINANCE, INCORPORATED
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

A. Statement of Management's Responsibility for the Financial Statements

B. Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

C. List of Supplementary Information

Supplementary Schedules to Financial Statements (Form 17-A, Item 7)

** These schedules and supplementary information are not included as these are not applicable to the Company.*

AG FINANCE, INCORPORATED
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A - Financial Assets
December 31, 2013
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued

FINANCIAL ASSETS AT FAIR VALUE THROUGH PTOFIT OR LOSS

Not Applicable

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Not Applicable

HELD-TO-MATURITY INVESTMENTS

Not Applicable

AG FINANCE, INCORPORATED

SEC Released Amended SRC Rule 68

Annex 68-E

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

December 31, 2013

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties	The Company has no outstanding receivables from related parties as of December 31, 2013.						
TOTAL	-	-	-	-	-	-	-

AG FINANCE, INCORPORATED
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule C - Intangible/Other Assets
December 31, 2013
(Amounts in Philippine Pesos)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance

Not Applicable

The Company does not have any intangible asset as at December 31, 2013.

AG FINANCE, INCORPORATED
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule D - Long-term Debt
December 31, 2013
(Amounts in Philipine Pesos)

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 related Statement of Financial Condition

Not Applicable
The Company does not have any outstanding debt as of December 31, 2013.

AG FINANCE, INCORPORATED
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule E - Indebtedness to Related Parties
December 31, 2013
(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Year	Balance at End of Year	Purpose

Not Applicable
The Company is not indebted to any of its related parties as of December 31, 2013.

AG FINANCE, INCORPORATED
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule F - Capital Stock
December 31, 2013
(Amounts in Philippine Pesos)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares	261,824,002	261,824,002	-	-	193,771,255	68,052,747

AG FINANCE, INCORPORATED
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
For the Years Ended December 31, 2013 and 2012
(Amounts in Philippine Pesos)

	December 31, 2013	December 31, 2012 (As Restated)	December 31, 2013	December 31, 2012 (As Restated)
I. Current/liquidity ratios				
a. Current Ratio				
(Cash + Loans Receivable + Other Current Assets)	P 427,986,746	P 331,722,861	59.70	50.28
Total Current Liabilities	7,168,775	6,598,010		
b. Quick Ratio				
(Cash + Loans Receivable)	427,182,214	330,738,802	59.59	50.13
Total Current Liabilities	7,168,775	6,598,010		
II. Solvency ratios				
a. Solvency Ratio				
(After-tax Net Profit + Depreciation)	62,103,724	45,009,989	5.51	0.40
Total Liabilities	11,264,885	113,945,097		
b. Debt-to-Equity Ratio				
Total Liabilities	11,264,885	113,945,097	0.03	0.48
Total Equity	439,800,629	237,005,023		
III. Asset-to-equity ratio				
Total Assets	451,065,514	350,950,120	1.03	1.48
Total Equity	439,800,629	237,005,023		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	85,666,151	65,594,624	29.51	16.82
Interest Expense*	2,902,975	3,898,942		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	60,292,395	43,187,046	0.44	0.44
(Interest Income + Other Operating Income)	137,202,772	98,996,553		
b. Return on Equity				
Net profit	60,292,395	43,187,046	0.18	0.79
Average Equity	338,402,826	54,461,500		
c. Return on Assets				
Net profit	60,292,395	43,187,046	0.15	0.11
Average Assets	401,007,817	401,007,818		

AG FINANCE, INCORPORATED
Schedule of Other Supplementary Information
as Required Under SRC Rule 68, as Amended
For the years ended December 31, 2013 and 2012
(Amounts in Philippine Pesos)

	2013	2012	2013	2012
a.) Total Real Estate Investments to Assets				

Not Applicable. The Company does not have investment properties. Condominium units and parking lots are treated as property and equipment.

b.) Total Receivables to Assets

	2013	2012	2013	2012
Loans Receivable	P 175,843,636	P 240,309,956	0.39	0.68
Total Assets	451,065,514	350,950,120		

c.) DOSRI to Net Worth

	2013	2012	2013	2012
Receivables from DOSRI*	-	-	0.00	0.00
Total Equity	439,800,629	237,005,023		

d.) Amount of receivables from a single corporation to total receivables

Not applicable. The Company grants loans to individuals.

* *Directors, Officers, Stockholders and Other Related Interests*

AG FINANCE INCORPORATED
Schedule of Other Supplementary Information
as Required Under SRC Rule 68, as Amended
Use of Proceeds from Initial Public Offering
DECEMBER 31, 2013
(Amounts in Philippine Pesos)

A. Computation of Net Proceeds:		
Offer Price per Share		P 2.18
No. of Shares		68,074,000
Gross Proceeds		148,401,320
Breakdown of Offer Expenses:		
Underwriting and Selling Agent Fees	P 4,606,675	
Taxes	3,308,396	
Estimated Professional Fees (legal and accounting fees)	2,396,434	
PSE Listing and Processing Fees	695,269	
Security and Exchnage Commission registration and filing fees	349,474	
Brokers' commission	296,807	
Miscellaneous Expenses[1]	890,277	
Total Offer Expenses		(12,543,332) [2]
Net Proceeds		135,857,988
B. Use of Net Proceeds as of December 31, 2013:		
OFW Loan portfolio expansion		
Total loan releases as of September 30, 2013	14,604,528	
Total loan releases for the period		
Professionals	23,219,622	
Skilled Workers	18,202,000	56,026,150
Repayment of Outstanding Loans with China Bank[3]		36,000,000
Balance of the Proceeds as of December 31, 2013		**P 43,831,838**

[1] *Includes IPO listing ceremony expenses amounting to P427,844; this amount is accrued as of September 30, 2013 and subsequently paid within the last quarter of 2013.*

[2] *Actual offer expenses exceeded the estimated amount of P12,289,358 by P253,974*

[3] *Professionals amounted to P6,338,528 and skilled workers amounted to P8,266,000*

AG FINANCE, INCORPORATED

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	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**	✓		
	Amendment to PFRS 1: Government Loans**	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to 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	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(deferred application)*	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance	✓		✓
	Amendment to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
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	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* *(effective January 1, 2014)*			✓
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* *(effective January 1, 2014)*			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
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 and their Interaction**	✓		
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			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in all years presented.

AG FINANCE, INCORPORATED
Unit 2205A, East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City
Reconciliation of Retained Earnings for Dividend Declaration
DECEMBER 31, 2013

Unappropriated Retained Earnings at Beginning of Year, as Reported in the Audited Financial Statements	P 43,255,021
Prior Year's Outstanding Reconciling Items	
Deferred tax income	(4,314,288)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	38,940,733
Net Profit Realized for the Year	
Net profit per audited financial statements	60,292,395
Non-actual/unrealized income	
Deferred tax income	(3,784,370)
	56,508,025
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P 95,448,758**