COVER SHEET

A	2	0	0	1	1	5	1	5	1

S.E.C. Registration Number

AG FINANCE INCORPORATED

(Company's Full Name)

U2205A EAST PSE CENTRE EXCHANGE ROAD ORTIGAS CENTER PASIG

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

EMILIANA G. MAURICIO	6352835
Contact Person	Company Telephone Number

1 2	3 1	A U D F S	0 6	2 8
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Financing

Secondary License Type, If Applicable

S E D C	
Dept. Requiring this Doc.	Amended Articles Number/Section

Nine (9)	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

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, III
NOTARY PUBLIC
Until December 31, 2014
PTR No. ...3780 / 01-03-13 ...
... 9...340 / 12-26-12 ...
... Roll No. 41969
... Comp. ...0019855

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
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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.

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)
ASSETS				
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 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	9	10,441,260	5,318,512	3,426,509
Interest Expense	11	2,902,975	3,898,942	5,548,369
Depreciation	2	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

** 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 Philippine 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**