

January 27, 2014

**THE DISCLOSURE DEPARTMENT
PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange
Plaza Ayala Triangle, Ayala
Avenue Makati City 1226

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

Re: **Annual Summary Report
Use of Proceeds from Initial Public Offering
For the Period August 13 to December 31, 2013**

Gentlemen:

In connection with our disclosure on the use of proceeds of the Initial Public Offering (IPO) of the shares of stock of AG Finance, Incorporated (the IPO Proceeds), we respectfully report below the details of the disbursements from the IPO proceeds for the period August 13 to December 31, 2013.

Gross Proceeds from the Offer		P	148,401,320
Less: Offer Expenses			
Underwriting and selling agent fees	P	4,606,675	
Taxes		3,308,396	
Professional fees (i.e., legal and accounting fees)		2,396,434	
Philippine Stock Exchange listing and processing fees		695,269	
Securities and Exchange Commission registration and filing fees		349,474	
Brokers' commission		296,807	
Miscellaneous expenses ^[1]		<u>890,277</u>	<u>12,543,332</u> ^[2]
Net Proceeds			135,857,988
Less: Utilization of Proceeds			
Overseas Filipino Workers (OFW) loan portfolio expansion: For the quarter ended December 31, 2013			
Professionals	P	23,219,622	
Skilled workers		<u>18,202,000</u>	
		41,421,622	
As reported for the quarter ended September 30, 2013 ^[3]		<u>14,604,528</u>	
		56,026,150	
Repayment of outstanding loans with China Banking Corporation		<u>36,000,000</u>	<u>92,026,150</u>
Balance of Proceeds as of December 31, 2013			<u>P 43,831,838</u>

^[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

Thank you.



Lella E. Jorge
President and Chief Executive Officer



Punongbayan & Araullo

An instinct for growth™

Report on Factual Findings

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The Board of Directors and Stockholders

AG Finance Incorporated

Unit 2205A, East Tower, Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

We have performed the procedures enumerated below, which have been agreed with you and set forth in our Service Engagement Letter dated September 10, 2013, on the accompanying Annual Summary Report on the use of proceeds from the Initial Public Offering (the IPO Proceeds) of the shares of stock of AG Finance, Incorporated (the Company) for the period August 13 to December 31, 2013 (the ASR). The procedures were performed to assist the Company in complying with the Philippine Stock Exchange, Inc. (PSE) requirement on the submission of the ASR accompanied by an external auditor's report.

Our service engagement was undertaken in accordance with Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

Agreed-upon Procedures

The agreed-upon procedures that we performed are as follows:

1. Obtained the ASR, dated January 27, 2014, that the Company will submit to the PSE.
2. Checked the mathematical accuracy of the ASR and the schedules provided by management supporting the significant items in the ASR.
3. Checked whether the IPO Proceeds are used in accordance with the approved uses and allocation between such uses by comparing the utilization of the IPO Proceeds reported in the ASR with the schedule of planned use of the IPO Proceeds disclosed in the Offering Prospectus and inquired with the Company's management of the reason for any differences.

4. Verified the nature of the disbursements that constitute each of the major items reported in the ASR to ascertain that such disbursements are valid by tracing them to the following supporting documents:
 - a. Promissory notes and approval documents for loans extended to professionals and skilled workers;
 - b. Invoices and official receipts from suppliers;
 - c. Payment advice and bank statement of the Company;
 - d. Supporting documents such as passbook and payment advice for the repayment of the outstanding loan of the Company with China Banking Corporation; and,
 - e. Other supporting documents such as suppliers' statement of accounts and tax returns submitted to the Bureau of Internal Revenue, among others.

Factual Findings

We report the result of our work as follows:

1. With respect to procedures 1 and 2, we noted no exceptions on the mathematical accuracy of the ASR as presented in the Company's letter to the PSE dated January 27, 2014 and the schedules provided by management supporting the use of the IPO Proceeds, including offer expenses.
2. With respect to procedure 3, we have not noted any disbursement for the year ended December 31, 2013 from the IPO Proceeds that were not in accordance with the approved uses and allocation between such uses of the IPO Proceeds as disclosed in the Offering Prospectus. In addition, the disbursements are within the allocated amounts as presented below.

	<u>Amount Utilized per Annual Summary Report</u>			<u>Allocation of IPO Proceeds</u>
	<u>3rd Quarter 2013</u>	<u>4th Quarter 2013</u>	<u>Annual</u>	
Overseas Filipino Workers loan portfolio expansion				
Professionals	P 6,338,528	P 23,219,622	P 29,558,150	P 47,000,000
Skilled workers	8,266,000	18,202,000	26,468,000	53,000,000
Repayment of outstanding loan with China Banking Corporation	-	36,000,000	36,000,000	36,000,000
	<u>P 14,604,528</u>	<u>P 77,421,622</u>	<u>P 92,026,150</u>	<u>P 136,000,000</u>

3. As disclosed in the ASR, the actual offer expenses exceeded by P253,974 the total estimated offer expenses of P12,289,358 disclosed in the Offering Prospectus. Management does not consider the excess to be material.
4. With respect to procedure 4, we were able to verify the nature of the disbursements and trace, without exceptions, the details of such disbursements to supporting documents.

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Because the above procedures do not constitute either an audit or review made in accordance with Philippine Standards of Auditing (PSA) or Philippine Standards on Review Engagement (PSRE), respectively, we do not express an assurance on the ASR based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above, and do not extend to any financial statements of the Company, taken as a whole.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

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)

January 27, 2014