



October 10, 2013

**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: **Quarterly Progress Report –
Use of Proceeds from Initial Public Offering
For the Quarter Ended September 30, 2013**

Gentlemen:

In connection with our first 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 quarter ended September 30, 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	
PSE listing and processing fees		695,269	
SEC registration and filing fees		349,474	
Brokers' commission		296,807	
Miscellaneous expenses ^[1]		462,433	12,115,488
Net Proceeds			<u>136,285,832</u>
Less: Utilization of Proceeds			
OFW loan portfolio expansion			
Skilled workers	P	8,266,000	
Professionals		6,338,528	14,604,528
Repayment of outstanding loans with China Banking Corporation (CBC) ^[2]			<u>-</u>
Balance of Proceeds as of September 30, 2013			<u>P 121,681,304</u>

^[1] Exclusive of accrued various offer expenses amounting to P427,844 as of September 30, 2013.

^[2] The Company plans to make the full settlement of its loans with CBC within the last quarter of 2013.

Thank you.

Very truly yours,


Leila E. Jorge
President



Report on Factual Findings

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

T +63 2 886 5511
F +63 2 886 5506
www.punongbayan-araullo.com

To the Board of Directors and to the 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 Quarterly Progress 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 quarter ended September 30, 2013 (the QPR). The procedures were performed to assist the Company in complying with the Philippine Stock Exchange, Inc. (PSE) requirement on the submission of the QPR 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 QPR, dated October 10, 2013, that the Company will submit to the PSE.
2. Checked the mathematical accuracy of the QPR and the schedules provided by management supporting the significant items in the QPR.
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 QPR 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 QPR 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; and,
 - d. 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 QPR as summarized in the Company's letter to the PSE dated October 10, 2013 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 quarter ended September 30, 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. We also noted that there is no repayment yet of the outstanding loans with China Banking Corporation.
3. With respect to procedure 4, we were able to verify the nature and trace, without exceptions, the details of disbursements to supporting documents.

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 QPR 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. Ferarezza**
Partner

CPA Reg. No. 0097462

TIN 184-595-975

PTR No. 3671441, January 2, 2013, 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)

October 10, 2013