

Macay Holdings, Inc.

SEC Form 17-A

**Annual Report
Pursuant to Section 17 of the Securities Regulation Code
and Section 141 of the Corporation Code of the Philippines**

COVER SHEET

P W - 9 9 8

SEC Registration Number

M A C A Y H O L D I N G S , I N C.

(Company's Full Name)

1 3 7 Y a k a l S t r e e t , S a n A n t o n i o

V i l l a g e , M a k a t i C i t y 1 2 0 3

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

Maila A. Padpad-Banaag

(Contact Person)

812 8050

(Company Telephone Number)

1 2 3 1

Month Day
(Fiscal Year)

1 7 - A

(Form Type)

0 5 0 8

Month Day
(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number _____
File Number _____

MACAY HOLDINGS, INC.

(Company's Full Name)

137 Yakal Street, San Antonio Village, Makati City

(Company's Address)

812 8050

(Telephone Number)

December 31

(Fiscal year ending)

17-A

(Form Type)

(Amendment Designation, if applicable)

December 31, 2013

(Period Ended Date)

None

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2013**
2. SEC Identification Number: **PW-998**
3. BIR Tax Identification Code: **000-410-269**
4. Name of Registrant as specified in its charter: **MACAY HOLDINGS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **METRO MANILA, PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **137 Yakal Street
San Antonio Village, Makati City
Postal Code: 1203**
8. Registrant's telephone number, including area code: **(632) 812-8050**
9. Former name, former address, former fiscal year: **MAYBANK ATR KIM ENG FINANCIAL CORPORATION**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding (Unpaid Subscription)
Common Shares	1,068,393,223	None

11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes No
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

THE PHILIPPINE STOCK EXCHANGE, INC.

12. Check whether the issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes No
- (b) has been subject to such filing requirements for the past ninety (90) days.
Yes No

13. Aggregate market value of voting stock held by non-affiliates based on closing price as of December 31, 2013: As of 26 March 2014, the aggregate market value of common stock held by non-affiliates is 109,451,550 multiplied by Php26.00 or **PhP2,845,740,300.00**.

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **Not Applicable**

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:
- (a) 2013 Audited Consolidated Financial Statements of MacayHoldings, Inc. and Subsidiaries (incorporated as reference for item 1,7, and 8 of SEC Form 17-A)

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PART I.

BUSINESS AND GENERAL INFORMATION

Item 1. Business

Maybank ATR Kim Eng Financial Corporation (MAKE) increased its revenues by 11% in the first quarter of 2013 with Php927 million compared to P834 million in the first quarter of 2012 despite a 7% increase in expenses. Net income attributable to shareholders of the Company increased 48% to Php168 million compared to P113 million in 2012 due to lower non-controlling interest and income tax expenses. This increase in total revenue came from a 42% increase in commissions and much higher trading gains, as well as an increase in underwriting fees and increases in the management, administration, and distribution fees for the asset management business.

For the second quarter of last year, MAKE again saw its revenues increase 11% to Php1.749 billion in the first half of 2013 compared to Php1.575 billion in the first half of 2012. This, however, was met with a 13% increase in expenses, bringing net income attributable to shareholders of MAKE to Php261 million from Php255 million in the second quarter of 2012. As with the previous year, the increase in total revenue came from increases in commissions, trading gains, underwriting fees, and increases in the management, administration, and distribution fees for the asset management business.

On 25 October 2013, the shares of MacayHoldings, Inc. (the “Company” or “Macay”), formerly Maybank ATR Kim Eng Financial Corporation (MAKE), totaling 958,923,466 shares representing 89.75% of the outstanding capital stock of the Company, were sold to Mazy’s Capital, Inc. Among the conditions for such acquisition was the sale for cash of substantially all of the assets of the Company to Maybank ATR Kim Eng Capital Partners, Inc. (MATRKECP), which assets included the Company’s shareholdings in its subsidiaries, AsianLife and General Assurance Corporation and ATR Kim Eng Land, Inc. Consequently, these subsidiaries, which made up the former businesses of the Company, were consolidated under MATRKECP.

As a result, the Company retained mostly only cash and receivables as its assets, with the latter consisting almost entirely of amounts due from the sale. Total assets were at Php3.701 billion as of end-September 2013, while liabilities went down to Php38 million, made up mostly of taxes payable related to the sale transactions. Total equity attributable to shareholders was at Php3.663 billion.

Thereafter, on 18 November 2013, the Company, through its Board of Directors, approved the investment of the Company in a food and beverage company. On 03 December 2013, the Securities and Exchange Commission approved the incorporation of ARC Refreshments Corp. (ARC Refreshments), of which the Company is a shareholder to the extent of 249,999,991 shares.

On 27 December 2013, ARC Refreshments, through its Board of Directors, approved (a) the acquisition of substantially all the operating assets of Mega Asia Bottling Corporation (Mega Asia), consisting of machinery and equipment used in the operation of Mega Asia and such other assets deemed necessary for bottling operations; (b) the acquisition of the operating assets of Asiawide Refreshment Corporation (Asiawide), including but not limited to machinery and equipment, bottles, inventories, receivables, and other assets acquired in the course of Asiawide’s operation; and (c) the assumption of some liabilities of Asiawide which were incurred in the normal course of business, including accounts payable and loans payable. On 30 January 2014, ARC Refreshments executed the Asset Purchase Agreements with Asiawide and Mega Asia.

Services/Customers/Clients

Not applicable as the Company is a holding company.

Competition

Not applicable as the Company is a holding company.

Transaction with Related Parties

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions with related parties will be made on an arm's length basis.

Related party transactions are discussed in Note 36 of the accompanying audited financial statements of the Company.

Developmental and Other Activities

Being a holding company, the Company has no material patent, trademark, or intellectual property right to products. The Company undertakes to comply with all existing government regulations and environmental laws, the costs of which are not material. As a holding company, it has no material development activities.

Employees

As of December 31, 2013, Macay has 5 full-time employees.

Risk

The risks faced by the Company are discussed in Note 6 of the Notes to the Financial Statements. How they are identified, measured, and managed is discussed at length in said Note 6.

For further details on the company's financial condition and operations, please refer to the 2013 Audited Financial Statements which is incorporated in the accompanying index to exhibits.

Item 2. Properties

As of December 31, 2013, Macay uses office space at 137 Yakal Street, San Antonio Village, Makati City, Metro Manila, Philippines. Macay has no immediate plans to acquire properties.

Item 3. Legal Proceedings

There are no material pending legal proceedings, bankruptcy petitions, convictions by final judgment, orders, judgments or decrees, or violations of a securities or commodities law for the past five years and the preceding years to which Macay or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

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

On 23 December 2013, through written assent of the stockholders of the Corporation, the stockholders, by an affirmative vote of two-thirds (2/3) of the outstanding capital stock of the Corporation, approved the amendments of the Articles of Incorporation and By-laws, to wit -

- Amendment of the Articles of Incorporation:
 - (i) Change in the corporate name to “MACAY HOLDINGS, INC.”;
 - (ii) Change the primary purpose of the Corporation to reflect the business of a holding company; and
 - (iii) Removal of the secondary purpose relating to the tire manufacturing business.

- Amendment of the By-Laws:
 - (i) Include a statement that the annual stockholders meeting may be held in May of each year or on such date as may be determined by the Board of Directors;
 - (ii) Include a Management Report in the order of business in the annual meeting of the stockholders;
 - (iii) Amendment on the composition and functions of executive officers of the Corporation; and
 - (iv) Change in the corporate seal to “MACAY HOLDINGS, INC.”

PART II.

OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The Company's common shares are listed and traded in the Philippine Stock Exchange. The high and low sales prices of Macay's shares traded in the PSE for each quarterly period during the past three (3) years are as follows:

YEAR	1 ST QUARTER		2 ND QUARTER		3 RD QUARTER		4 TH QUARTER	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
2013	28.35	23.80	32.40	25.05	29.50	24.50	35.95	16
2012	29.00	3.00	39.15	20	38.55	24	25	4.38
2011	4.50	3.30	4.15	3.45	4.40	3.64	4.80	3.90

Holders

As of December 31, 2013, the Corporation has 550 stockholders of record.

Directors and Officers of Macay

Common Shares:

Name	Nationality	No. of Shares Subscribed	Percentage of Ownership
ALFREDO M. YAO	Filipino	1	0%
ARMANDO M. YAO	Filipino	1	0%
JEFFREY S. YAO	Filipino	1	0%
CAROLYN S. YAO	Filipino	1	0%
MARY GRACE S. YAO	Filipino	1	0%
ROBERTO A. ATENDIDO	Filipino	1	0%
FERNANDO R. BALATBAT	Filipino	1	0%
ANTONIO I. PANAJON	Filipino	1	0%
ALBERT S. TORIBIO	Filipino	1	0%
JESUS G. GALLEGOS, JR.	Filipino	1	0%
ROBERTO F. ANONAS. JR.	Filipino	1	0%

*Top 20 Stockholders of Macay

NAME	NATIONALITY	NO. OF SHARES SUBSCRIBED	PERCENTAGE OF OWNERSHIP
MAZY'S CAPITAL, INC.	FILIPINO	958,944,662	89.76%
PCD NOMINEE CORPORATION - NON FILIPINO	FOREIGN	100,220,461	09.38%
PCD NOMINEE CORPORATION - FILIPINO	FILIPINO	6,551,123	00.61%
GONZALO PUYAT & SONS, INC.	FILIPINO	942,095	00.09%
HANSON G. GO &/OR LARCY MARICHI Y. SO	FILIPINO	216,000	00.02%
KNIGHTS OF COLUMBUS - NEW HAVEN CONN	AMERICAN	62,916	00.01%
JOSEFA M. BENITEZ TRINIDAD	FILIPINO	62,427	00.01%
LUCIANO TAN	FILIPINO	57,879	00.01%
SAGITRO INCORPORATED	FILIPINO	52,018	00.00%

RAFAEL ORTIGAS, JR.	FILIPINO	43,165	00.00%
SUSANA LEE CHUNG	FILIPINO	42,994	00.00%
RAMON NISCE	FILIPINO	42,814	00.00%
NELLY V. KATIGBAK	FILIPINO	39,560	00.00%
SIM CHI TAT &/OR CONCHING TAN SIM	FILIPINO	38,097	00.00%
TEOFILO S. VILLONCO	FILIPINO	32,967	00.00%
VICENTE VILLONCO	FILIPINO	32,963	00.00%
PIERCE INTERLINK SECURITIES, INC.	FILIPINO	32,400	00.00%
ENRIQUE RAMIREZ	FILIPINO	32,193	00.00%
VIOLETA R. BARLAAN	FILIPINO	31,732	00.00%
SIM CHI TAT	FILIPINO	30,263	00.00%

- Based on the list of top 100 stockholders of Macay Holdings, Inc. as 31 December 2013 as reported by Stock Transfer Service, Inc.

Dividends

The new shareholders of the Company intend to review the current dividend policy of the Company, taking into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others. At the appropriate time and after a thorough review, the Company will announce its dividend policy.

Recent Sale of Unregistered or Exempt Securities

There were no sales in unregistered securities in 2013, 2012, and 2011.

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

Financial Condition

Cash and cash equivalents consists of:

	2013	2012
Cash on hand	₱–	₱289,047
Cash in banks:		
Peso-denominated bank deposits	75,735,494	922,294,893
Dollar-denominated bank deposits	2,980,269	38,689,993
Cash equivalents:		
Peso-denominated time deposits and special savings account	3,576,666,457	1,936,160,539
Dollar-denominated time deposits	–	755,258
	₱3,655,382,220	2,898,189,730

Cash in banks earn interest at prevailing market interest rates. Cash equivalents earn interest ranging from and 0.3% to 4.5% in 2013, 1.25% to 4.50% in 2012 and 1.35% to 4.75% in 2011.

Financial Assets at Fair Value Through Profit or Loss

As of December 31, 2012, this account consists of:

Debt securities:	
Government bonds	₱712,798,709
Private bonds	4,905,701
Mutual funds	66,137,025
Equity securities	22,469,229
	₱806,310,664

In 2012, ALGA recognized all of its investment securities under the Investment Management Account with the Trust Department of Maybank ATR KE Capital as financial assets at FVPL.

In 2013, government bonds earn interest ranging from 1.6% to 7.0%, while private bonds earn interest ranging from 6.1% to 6.9%.

In 2012, government bonds earn interest ranging from 5.00% to 9.13%, while private bonds earn interest ranging from 6.05% to 6.88%.

Mutual funds pertain to the following investments in ATRKE Funds classified as financial assets at FVPL as of December 31, 2013 and 2012:

	2012
ATRKE AOF	₱46,745,737
ATRKE APRF	12,866,388
ATRKE TRBF	6,524,900
	₱66,137,025

The net unrealized gains (losses) on mark-to-market valuations amounted to nil, ₱50.5 million and ₱12.8 million in 2013, 2012 and 2011, respectively.

Available-for-Sale Securities

As of December 31, 2012, this account consists of the following:

At fair value:	
Government securities	₱100,768,470
Mutual funds	98,571,898
Listed equity securities	18,621,100
Unlisted foreign holding company	5,952,501
Proprietary shares	650,000
	<hr/>
	224,563,969
At cost less impairment:	
Unlisted domestic holding and manufacturing company and a local bank	41,185,000
Proprietary shares	722,800
	<hr/>
	41,907,800
Less allowance for impairment losses	(41,185,000)
	<hr/>
	722,800
	<hr/>
	₱ 225,286,769

AFS Securities at Fair Value

Government securities

As of December 31, 2013 and 2012, AFS debt securities include investments in government securities with fair value amounting to nil and ₱100.8 million, respectively, that are designated as restricted investments of the Insurance Group and maintained with the Bureau of Treasury in compliance with the provisions of the IC as security for the benefit of the life insurance policyholders and creditors of the Insurance Group. These debt securities earn annual interest ranging from 4.6% to 9.1% in 2013, 4.63% to 9.13% in 2012 and from 2.88% to 9.13% in 2011.

As of December 31, 2011, AFS debt securities also include fixed-term treasury notes of Maybank ATR KE Capital amounting to ₱94.5 million, which are earmarked by Maybank ATR KE Capital as security deposit for the faithful performance of its trust and fiduciary services. These debt securities earn annual interest ranging from 5.25% to 8.75% in 2011. In November 2012, the AFS debt securities of Maybank ATR KE Capital were reclassified to HTM investments.

Mutual funds

This account includes the following investments in ATRKE Funds classified as AFS securities as of December 31, 2012:

ATRKE APRF	₱43,028,081
ATRKE TRBF	24,086,656
ATRKE PBF	20,015,645
ATRKE AOF	8,930,614
ATRKE EOF	2,510,902
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	₱ 98,571,898

Management fees earned by the Group for managing these ATRKE Funds amounting to ₱30.4 million, ₱11.2 million and ₱11.5 million in 2013, 2012 and 2011, respectively, are recorded under "Management, administration and distribution fees" in the consolidated statements of income.

Equity securities at fair value

Unlisted securities at fair value represent shares of stock of a foreign investment holding company, which invests in various equity and debt securities in foreign markets. The Group estimated the fair value of this investment based on the fair value of the net assets of the investments holding company.

The movements in AFS financial assets for the years ended December 31 is as follows:

	2013	2012
At January 1	P225,286,768	P618,946,808
Additions	44,554,530	–
Disposals/maturities	(54,072,711)	–
Fair value gains (losses) during the year	(4,575,608)	(393,660,040)
Disposal of subsidiaries	(211,192,979)	–
	P–	P225,286,768

The movements in unrealized gains (losses) on AFS securities at fair value follow:

	2013	2012
Balance as at January 1	P261,944	(P27,154,791)
Fair value gains (losses) recognized in OCI	(1,966,289)	18,568,789
Realized gains on sale/disposal of AFS securities transferred to profit or loss	(1,859,019)	(13,685,072)
Impairment loss on AFS equity securities transferred to profit or loss	226,412	22,533,018
Disposal of subsidiaries	(4,313,664)	–
Balance as at December 31	P–	P(4,313,664)

AFS Securities at Cost

Unlisted securities at cost represent investments in a domestic holding and manufacturing company and a local bank which have already ceased to operate. Accordingly, the Group provided full allowance for impairment losses amounting to nil and P41.4 million as of December 31, 2013 and 2012.

Impairment Losses on AFS Equity Securities

Impairment losses on AFS equity securities at fair value are broken down as follows:

	2013	2012
Listed equity securities	P226,412	P10,518,118
Unlisted foreign holding company	–	12,014,900
	P226,412	P22,533,018

Held-to-Maturity Investments consist of fixed-term treasury notes bearing annual interest rates ranging from 4.88% to 12.38% in 2012. These investments are earmarked by the Group as security deposit for the faithful performance of its trust and fiduciary services.

Reclassification of Financial Assets

In 2008, the Group disposed some of its government securities classified as HTM investments prior to their maturity. As a consequence of the pre-termination of the HTM investments, the Group reclassified the remaining HTM investment portfolio to AFS securities in 2008 and was restricted to classify any financial investment under the HTM category for the succeeding two years. As allowed by PFRS, in November 2012, the Group reclassified the government securities of Maybank ATR KE Capital to HTM investments with an aggregate carrying value of P 150.9 million as at reclassification date.

HTM investments reclassified from AFS securities have the following details as at the reclassification date and as at and for the year ended December 31, 2012:

<u>As at reclassification date</u>	
Face value	P146,320,000
Original acquisition cost	153,390,548
Net unamortized premium	4,604,190
Net unrealized gains	3,300,864

Range of effective interest rates 1.0% - 2.9%

As at and for the year ended

Carrying value	₱150,704,196
Fair value	153,893,594
Net unrealized gains	3,189,398
Amortization of net premiums	219,994

The Group expects to recover 100% of principal and interest totaling ₱159.1 million as at the reclassification date. No impairment loss on the reclassified securities was recognized in 2012.

Had these securities not been reclassified to HTM investments, carrying value of AFS securities and net unrealized gain from AFS securities as of December 31, 2012 would have increased by ₱153.9 million and ₱3.2 million, respectively.

Loans and Receivables consists of:

	2013	2012
Interest receivable (Note 36)	₱2,902,521	₱18,546,524
Due from customers and brokers	–	725,854,339
Loans receivable	–	300,173,756
Installment contract receivables	–	128,990,294
Salary loans	–	81,195,831
Accounts receivable	–	74,797,110
Receivables from officers and employees (Note 36)	–	28,114,344
Insurance receivables	–	21,116,056
Receivable from developer	–	19,764,940
Policy loans	–	16,539,326
Agents' account balances	–	131,415
Miscellaneous	–	2,305,572
	2,902,521	1,417,529,507
Allowance for credit losses	–	290,449,980
	₱2,902,521	₱1,127,079,527

Due from Customers and Brokers

Due from customers represents receivables from customers of Maybank ATR KE Securities for equities purchased in the stock market which are generally settled three days after the transaction date. Securities purchased by customers are held as collateral for amounts due from customers.

Due from customers consists of the following as of December 31, 2012:

	Money Balance	Security Valuation	
		Long	Short
Fully secured accounts:			
More than 250%	₱503,377,950	₱42,120,603,569	₱–
Between 200% and 250%	37,965,180	92,446,875	–
Between 150% and 200%	5,006	7,552	–
Between 100% and 150%	136,992,440	136,671,073	–
Partially secured accounts	47,513,763	43,077,872	–
	₱725,854,339	₱42,392,806,941	₱–

Fully secured accounts include margin accounts amounting ₱212.2 million as of December 31, 2012. Interest

earned on these margin accounts amounted to P5.5 million, P13.3 million and P13.0 million in 2013, 2012 and 2011, respectively. The Group has no due from customers as of December 31, 2013.

Loans Receivable

There was no loans receivable as of December 31, 2013. This account consists of the following as of December 31, 2012:

Loans granted:	
Domestic third party - management company	₱236,888,918
One Virtual Corporation (“OVC”)	45,555,832
Mortgage loans (Note 36)	3,869,962
Others (Note 36)	13,859,044
	<hr/>
	₱ 300,173,756

Domestic third party

The loan receivable from a domestic third party is a five-year term loan with an annual interest rate of 6.00% due in 2008. In 2008, the Parent Company and the domestic third party agreed to extend the loan for another five years, maturing on November 25, 2013. The loan receivable is secured by 6,848,948 shares of stock of a Philippine-based Filipino corporation, 375,000 shares of stock of and advances to a Philippine holding company amounting to P117.0 million.

In 2006, the Philippine-based Filipino corporation filed a case with the Regional Trial Court of Makati (“RTC of Makati”) for corporate rehabilitation, which included the suspension of payments to plan holders and creditors. On May 28, 2007, the RTC of Makati approved the Modified Rehabilitation Plan (the “Rehabilitation Plan”). The approval is only effective for two years subject to review of compliance of all the terms and conditions of the Rehabilitation Plan. The Rehabilitation Plan is composed mainly of restructuring of liabilities, including the related maturities and growth projections of trust fund assets. The financial projections supporting the Rehabilitation Plan showed negative shareholders’ equity and debt service up to 2040. Accordingly, the Parent Company provided full allowance on the said loan in prior years.

OVC

Loan receivable from OVC pertains to a P56.2 million restructured clean loan granted by Maybank ATR KE Capital bearing an annual interest rate of 14.99% which matured on April 30, 2003. Upon maturity of the loan, a related company of OVC (“New Borrower”) assumed the restructured loan and offered 122,483,536 listed shares of stock of a local entertainment company as settlement for the loan based on the Memorandum of Understanding dated December 29, 2003. Maybank ATR KE Capital and the New Borrower have subsequently agreed to several extension of the maturity of the loan receivable and changes to the payment terms.

On June 30, 2005, Maybank ATR KE Capital entered into an Amended and Restated Purchase Agreement with the New Borrower. Under the agreement, the New Borrower shall convey, transfer and cede unto Maybank ATR KE Capital a total of 56,241,768 new shares of stock of an information technology service company in exchange for the 122,483,536 listed shares previously offered.

In accordance with the Amended and Restated Purchase Agreement dated March 24, 2008, Maybank ATR KE Capital and the New Borrower agreed that the 19% of the shares of an information technology service company equivalent to 19% of the loan balance will be transferred to Maybank ATR KE Capital in 2008, with the shares of the same information technology service company to cover the remaining balance of 81% of the loan to be transferred on or before March 31, 2009. As provided in the Amended and Restated Purchase Agreement (third amendment), in case of any delay in the completion of the share swap, Maybank ATR KE Capital will have the option to require the New Borrower to repay the loan obligation through the transfer of equivalent common shares of Next Mobile, Inc. (“NMI”), a corporation organized and existing under the Philippine laws. The conversion price of one (1) NMI share with a par value of P100.00 per share shall be P485.32 or equivalent to 93,868 NMI shares.

On September 30, 2008, the New Borrower delivered to Maybank ATR KE Capital the stock certificates for 10,685,936 shares of an information technology service company representing 19% of the loan balance equivalent to P10.7 million, duly endorsed for transfer by the New Borrower. The value of shares was deducted from the outstanding receivable as of September 30, 2008. The fair value of the unlisted shares as of September 30, 2008 was determined using binding offers to buy the said shares from interested third

parties.

On March 9, 2009, another Amended and Restated Purchase Agreement was executed between Maybank ATR KE Capital and the New Borrower to extend the date of transfer of the shares of the information technology service company covering the remaining loan balance to March 31, 2010. Subsequently, several amendments were made to the Amended and Restated Purchase Agreement to extend the date of transfer of the shares, with the latest amendment extending the date of transfer of the shares to March 31, 2013.

Since 2008, the market value of the shares of the information technology service company has been declining and is always lower than the carrying amount of the loans receivable. In December 2011, the Group reassessed the recoverability of the outstanding loans receivable and determined that the probability of collection from the New Borrower under the terms and conditions of the Amended and Restated Purchase Agreement is remote. Accordingly, the Group provided for full allowance for credit loss on the outstanding loans receivable in 2011.

Mortgage loans

Mortgage loans consist of real estate mortgage (“housing loans”) and chattel mortgage (“car loans”) to directors, officers, employees and third party individuals. Housing and car loans to officers and employees are collectible over a period of five to 15 years through salary deduction. These loans bear an annual interest of 10%.

Other loans receivable

This account includes loans extended to officers and employees of the Group in 2010 for the acquisition of units in TRIBECA Private Residences for five years which bear an interest at 10% per annum.

On September 30, 2011, the ATRKE Land granted a P29.4 million bridge loan to Landco to partially finance the construction of the Central Park Project of TRIBECA Private Residences. The loan was secured by an assignment of Landco’s share of installment contract receivables from Towers 1-4 of the Project with a face value of not less than P29.4 million. The term of the loan was at a maximum of ninety days reckoned from date of initial loan drawdown, renewable subject to mutual agreement or seven days from drawdown date of the loan from a bank, whichever was earlier. The loan bore interest based on the four year PDST-F-Fix, plus a spread of four percent (4% p.a.) and was reset every 30 days. The loan was fully collected in 2012.

Installment Contracts Receivable

Installment contracts receivables pertain to receivables from the sale of condominium units by ATRKE Land. These are collectible in monthly installments over a period of one to two years and are noninterest-bearing. Installment contracts receivables were discounted using credit adjusted market rates ranging from 2.94% to 5.80% that are specific to the tenor of the installment contracts receivables.

As of December 31, 2013 and 2012, installment contract receivables due within one year from the reporting date amounted to nil and P78.9 million, respectively.

Salary Loans

Salary loans represent loans granted by the Group to DepEd teachers, private institution employees and its own employees with terms ranging from six to 36 months, collected through salary deduction. These loans bear annual interest rates of 5.70% to 15.00% in 2012, depending on the term of the loan.

On May 31, 2012, the Group entered into a Deed of Assignment of Receivables (the “Deed”) with a domestic corporation to assign, on a without recourse basis, all of its outstanding salary loans receivable amounting to P 365.3 million. Corresponding loans payable from local banks, MKEH, and individual third parties were also settled as a condition to the Deed.

Accounts Receivable

This account primarily represents receivable from advisory and underwriting activities of Maybank ATR KE Capital and management services of ATRKE AMI. This also includes receivable from a third party administration company which represents amounts due from the policyholders advanced by ALGA for billings made by medical providers. This is normally due 15 days from billing date to policyholders.

Receivables from Officers and Employees

Receivables from officers and employees primarily represent advances subject to liquidation and interest-bearing car financing loans extended to officers and employees of the Group with interest rates ranging from 10% to 12% per annum. The loans are paid through monthly salary deduction and have original term of five

years.

Insurance Receivables

Insurance receivables consist of due and uncollected insurance premiums as of reporting date.

Receivable from Developer

The receivable from a developer represents expenses paid by ATRKE Land on behalf of Landco which the former will claim from the latter as provided in the Joint Venture Agreement (“JVA”) and unremitted collections received by Landco, on behalf of ATRKE Land, from buyers of condominium units allocated to ATRKE Land. These receivables are due and collectible upon demand.

Policy Loans

Policy loans pertain to loans issued to insurance policyholders. The loan is issued with the cash surrender value of the policyholders’ insurance policy as collateral. Interest rate on policy loans in 2013 and 2012 is pegged at 10%. The policyholders may repay the policy loans at any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan, including any unpaid interest, will be deducted from the surrender value or maturity benefits.

Allowance for Credit Losses

As of December 31, 2012, loans and receivables amounting to P290.4 million were impaired and fully provided for as follows:

	Loans Receivable	Accounts Receivable	Salary Loans	Agents’ Account Balances	Others	Total
As at December 31, 2011	₱282,444,750	₱2,228,672	P39,099,391	₱1,203,742	₱-	₱324,976,555
Provisions	-	1,087,419	3,111,913	-	723,750	(4,923,082)
Disposal of a subsidiary (Note 5)	-	(2,228,672)	(36,017,243)	(39,449,657)	-	0
As at December 31, 2012	(282,444,750)	(1,087,419)	(6,194,061)	-	(723,750)	(290,449,980)
Provisions	-	-	2,288,158	-	-	2,288,158
Write offs	(236,888,918)	-	-	-	((723,750))	(237,612,668)
Disposals of subsidiaries	(45,555,832)	(1,087,419)	(8,482,219)	-	-	(55,125,470)
As at December 31, 2013	₱-	₱-	₱-	₱-	₱-	₱-

The Group has no impaired loans and receivables as of December 31, 2013.

Real Estate Inventories are carried at cost which consist of the following as of December 31, 2012:

Acquisition cost	₱195,594,963
Fair value adjustments to recognize real estate inventories at deemed cost	488,227,843
	₱ 683,822,806

In 2006, the Group reclassified a real estate property from investment properties to real estate inventories following a change in use of the properties. Prior to reclassification, the real estate property was carried at fair value based on the latest appraisal report. In accordance with PFRS, the real property’s deemed cost for subsequent accounting shall be its fair value at the date of change in use. The fair value adjustment is realized based on the percentage of completion of units sold.

Real estate inventories pertain to the property located along East Service Road, Barangay Sucat, Muntinlupa City owned by ATRKE Land, which originally had an area of 97,504 square meters, consisting of undeveloped land and unsold completed units of TRIBECA Private Residences. The property is being developed by a joint venture partner in phases as a themed residential lifestyle community referred to as the “TRIBECA Private Residences” project. As of December 31, 2011, the bulk of ATRKE Land’s real estate property is covered by a Mortgage Trust Indenture (“MTI”), Mortgage Participation Certificates (“MPC”) to which were used as security for loans obtained by Maybank ATR KE Capital from a local bank. ATRKE Land is a co-maker to the said loans. In April 2012, the Group paid in full the loan from the local bank.

A summary of the movement in real estate inventories is set out below:

	2013	2012
At January 1	₱903,960,702	₱932,659,135
Cost of real estate sales	(19,659,277)	(33,799,161)
Cancellation of sales	14,002,128	5,100,728
Disposal of subsidiaries	(898,303,553)	–
At December 31	₱–	₱903,960,702

Profit from sale of real estate inventories amounted to ₱12.2 million, ₱26.5 million and ₱41.4 million in 2013, 2012 and 2011, respectively.

Investment Properties - The composition of and movements in this account in 2012 are as follows:

	Memorial Lots	Residential Lots	Condominium Units	Condominium Improvements	Other Properties	Total
As at January 1, 2012	₱180,106,259	₱44,898,000	₱35,581,685	₱297,022	₱135,000	₱ 261,017,966
Disposal of a subsidiary (Note 5)	(180,106,259)	(44,898,000)	–	–	(135,000)	225,139,259
Transfers (Note 17)	–	–	(35,581,685)	(297,022)	–	(35,878,707)
As at December 31, 2012	₱–	₱–	₱35,581,685	₱297,022	₱–	₱261,017,966

In 2012 and 2011, the investment properties of the Group did not generate rental income and there were no direct operating expenses incurred from the use of its investment properties.

No investment properties are recognized as of December 31, 2013.

Investments in Associates consist of:

	Percentage of Ownership		Amount	
	2013	2012	2013	2012
Acquisition cost:				
Net Curricula Inc. (“Net Curricula”)	–	46.70	₱–	₱103,749,012
Maybank ATR Kim Eng Fixed Income, Inc. (“Maybank ATR KE Fixed Income”)	–	20.00		23,828,316
A.V. Ocampo (Note 5)	–	40.00		21,707,595
TullettPrebon Philippines, Inc. (“Prebon”)	–	49.00		18,906,300
	–	–		168,191,223
Allowance for impairment losses				(110,408,986)
				57,782,237
Accumulated equity in net earnings:				
As at January 1			108,197,590	72,501,433
Equity in net earnings for the year			9,359,845	11,631,163
Dividends received				(33,700,000)
Others				(17,243)
Disposal of subsidiaries			(117,557,435)	
As at December 31				(50,415,353)
			₱–	₱(108,197,590)

The breakdown of investments in associates as of December 31, 2012 is as follows:

Prebon	₱53,538,668
Maybank ATR KE Fixed Income	40,723,898
A.V. Ocampo	13,935,024
	₱ 108,197,590

The Group has no investments in associates as of December 31, 2013.

The movements in the acquisition cost of investments in associates follow:

	2013	2012
Balance at beginning of year	₱168,191,223	₱157,022,861
Write-offs	(103,749,012)	-
Additional investments	-	11,168,362
Disposal of subsidiaries (Notes 1 and 5)	(64,442,211)	-
Balance at end of year	₱-	₱168,191,223

The movements in allowance for impairment losses on investments in associates follow:

	2013	2012
Balance at beginning of year	₱110,408,986	₱103,749,012
Provision	-	6,659,974
Write-offs	(103,749,012)	-
Disposal of subsidiaries	-	-
	(6,659,974)	-
Balance at end of year	₱-	₱110,408,986

Property and Equipment- The movements of this account are as follows:

	2013						Total
	Condominium units	Condominium improvements	Transportation equipment	Furniture and fixtures and computer equipment	Computer hardware and peripherals	Leasehold improvements	
Cost							
Balance at beginning of year	₱130,056,321	₱14,240,726	₱65,263,621	₱66,581,694	₱42,000,783	₱27,147,577	₱345,290,722
Additions	-	-	3,127,621	5,617,675	240,798	136,339	9,122,433
Disposals/Transfers	(43,885,061)	35,052,477	(19,757,102)	1,825,029	(917,880)	(3,155,376)	(30,837,913)
Disposal of subsidiaries (see Note 1)	(86,171,260)	(49,293,203)	(48,634,140)	(74,024,398)	(41,323,701)	(24,128,540)	(323,575,242)
Balance at end of year	-	-	-	-	-	-	-
Accumulated Depreciation and Amortization							
Balance at beginning of year	49,825,176	12,079,965	35,949,673	61,469,517	22,945,810	21,400,358	203,670,499
Depreciation and amortization (Note 28)	1,625,010	537,385	6,222,079	2,284,135	5,549,910	1,929,783	18,148,302
Disposals	(28,758,771)	19,926,187	(16,457,959)	3,186,993	(2,028,270)	(3,155,377)	(27,287,197)
Disposal of subsidiaries (see Note 1)	(22,691,415)	(32,543,537)	(25,713,793)	(66,940,645)	(26,467,450)	(20,174,764)	(194,531,604)
Balance at end of year	-	-	-	-	-	-	-
Net Book Value at End of Year	₱-	₱-	₱-	₱-	₱-	₱-	₱-

	2012						Total
	Condominium units	Condominium improvements	Transportation equipment	Furniture and fixtures and computer equipment	Computer hardware and peripherals	Leasehold improvements	
Cost							
Balance at beginning of year	₱94,474,636	₱13,943,704	₱63,595,926	₱109,076,234	₱27,020,303	₱36,927,198	₱345,038,001
Additions	-	-	13,375,444	3,665,957	15,883,360	2,315,508	35,240,269
Disposals	-	-	(11,707,749)	(46,160,497)	(902,880)	(12,095,129)	(70,866,255)

Transfers (Note 15)	35,581,685	297,022	-	-	-	-	35,878,707
Balance at end of year	130,056,321	14,240,726	65,263,621	66,581,694	42,000,783	27,147,577	345,290,722
Accumulated Depreciation and Amortization							
Balance at beginning of year	47,832,010	11,826,304	35,387,828	88,173,812	15,401,156	29,771,551	228,392,661
Depreciation and amortization (Note 28)	1,993,166	253,661	10,726,403	3,702,729	10,054,936	3,005,167	29,736,062
Disposals	-	-	(10,164,558)	(30,407,024)	(2,510,282)	(11,376,360)	(54,458,224)
Balance at end of year	49,825,176	12,079,965	35,949,673	61,469,517	22,945,810	21,400,358	203,670,499
Net Book Value at End of Year	₱80,231,145	₱2,160,761	₱29,313,948	₱5,112,177	₱19,054,973	₱5,747,219	₱141,620,223

Property and equipment of ALFA with total cost amounting to ₱59.5 million and accumulated depreciation and amortization amounting to ₱43.9 million as of the disposal date in May 2012, are included as disposals.

In 2012, the Group reclassified its condominium units from investment properties to property and equipment following a change in use of the properties. Prior to reclassification, the condominium units and the related improvements were carried at fair value based on the latest appraisal report. In accordance with PFRS, the deemed cost of the condominium units and improvements for subsequent accounting shall be their fair value at the date of change in use.

As of December 31, 2012, certain transportation equipment with total carrying amount of ₱3.1 million have been pledged to secure certain borrowings of the Group.

Other Assets consists of:

	2013	2012
Creditable withholding tax	₱9,736,528	₱110,180,495
Performance bonds	-	14,101,441
Reserve funds	-	10,608,818
Prepayments	-	9,454,740
Input tax	-	6,554,084
Lease and other deposits	-	3,726,909
Exchange trading right	-	1,000,000
Miscellaneous	-	8,146,606
	₱9,736,528	₱ 163,773,093

Creditable Withholding Tax

This account pertains to taxes withheld by customers and can be applied against future income tax liabilities.

Performance Bonds

Performance bonds consist of amounts posted by ALGA with hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Reserve Funds

Reserve funds consist of contingency funds, which are maintained to defray claims of the insurance pools business of ALGA.

Prepayments

Prepayments include advance payments on office space rental, insurance, financial information services, condominium fees and membership fees and dues.

Lease and Other Deposits

This account consists of deposits made by the Group to the lessor of its office spaces and advances to various suppliers. The lease deposits shall be refunded by the lessor at the end of the lease term, net of any liabilities identified at such time.

Accounts Payable and Accrued Expenses consists of:

	2013	2012
Accounts payable	₱60,971	₱260,980,686
Due to customers and brokers	–	1,335,577,732
Accrued expenses	–	215,622,526
Due to clearing house	–	149,755,495
	₱60,971	₱ 1,961,936,439

Due to Customers and Brokers

Due to customers represent payables to customers of Maybank ATR KE Securities for equities sold in the stock market which are generally settled three days after the transaction date. Due to customers consists of the following as of December 31, 2012:

	Money Balance	Security Valuation	
		Long	Short
With money balance	₱1,328,908,886	₱18,856,676,666	₱207,052,736
Without money balance	–	138,496,966,148	–
	₱1,328,908,886	₱157,353,642,814	₱207,052,736

Due to brokers amounted to ₱6.7 million as of December 31, 2012. The Group has no due to brokers as of December 31, 2013.

Accounts Payable

This account primarily consists of amounts due to suppliers, and medical providers for goods purchased and services availed of.

Accrued Expenses

This account includes accrual of interest on loans payable, accrued employee benefits, marketing expenses, rentals and professional fees.

Due to Clearing House

This account represents cash settlement obligations of Maybank ATR KE Securities for payment to the clearing house to facilitate the settlement of its trading transactions. Amounts due to clearing house are settled three days from the trade date.

Loans Payable- As of December 31, 2012, this account consists of borrowings from:

Local banks of:	
Maybank ATR KE Capital	₱52,903,310
Maybank ATR KE Securities	41,000,004
ALGA	11,745,470
ALFA	–
MKEH	–
Others	–
	₱ 105,648,784

Borrowings of the Group carry effective interest rates ranging from 6.50% to 11.40%, 6.50% to 11.50% and from 4.25% to 11.80 in 2013, 2012 and 2011, respectively.

As of December 31, 2013, the Group has no loans payable.

Loans payable in 2012 are payable in various amortization periods shown below:

Short-term (less than one year)	₱95,154,212
Medium-term (one to five years)	10,494,572
	₱105,648,784

The breakdown of this loans payable by security is as follows:

Continuing suretyship agreements and salary loans (Note 13)	₱50,000,000
Various shares of stock	41,000,004
Transportation equipment (Note 17)	14,648,780
Notes receivable and standby letters of credit	—
MPC on the MTI covering real estate property owned by ATRKE Land	—
	₱105,648,784

Maybank ATR KE Capital

On December 21, 2007, Maybank ATR KE Capital obtained a loan from a local bank aggregating to ₱314.0 million. The loan was subdivided into the following: (a) ₱204.0 million with a term of three years with no grace period on principal repayment. Interest was based on the prevailing market rate and was reset every quarter. Principal and interest were paid on a quarterly basis; and (b) ₱110.0 million with a term of five years inclusive of two years grace period on principal repayment. Interest was based on prevailing market rate and was reset every quarter. Principal and interest were paid on a quarterly basis. The loan was secured by: (a) an MPC on the MTI covering part of the real property owned by ATRKE Land situated along East Service Road of the South Expressway, Barangay Sucat, Muntinlupa City; and (b) a Deed of Assignment representing future cash dividends due to Maybank ATR KE Capital from an associated company. The outstanding balance of this loan amounted to ₱36.7 million as of December 31, 2011. In April 2012, Maybank ATR KE Capital paid this loan in full.

On March 25, 2010, Maybank ATR KE Capital obtained a ₱70.1 million loan from certain individuals. The loan has a term of two years with a fixed annual interest rate of 9% and payable in equal monthly amortizations. The loan was secured by an assignment of receivables from ALFA. As of December 31, 2011, the carrying amount of this loan amounted to ₱1.4 million. As a condition to the disposal of ALFA, Maybank ATR KE Capital paid in full the loans payable in June 2012.

On May 29, 2010 and June 28, 2010, Maybank ATR KE Capital obtained a loan from a local bank totaling ₱73.3 million. Maybank ATR KE Capital obtained another loan from the same bank in June 2011 amounting to ₱57.7 million. The loans had terms of two years with interest based on prevailing market rate and were payable in equal monthly amortizations. The loans were secured by assignment of receivables. The carrying amount of these loans amounted to ₱58.3 million as of December 31, 2011. As a condition to the disposal of ALFA, Maybank ATR KE Capital paid in full the loans payable in June 2012.

On July 23, 2010, Maybank ATR KE Capital entered into a short term loan agreement with MKEH for an aggregate amount of US\$5.0 million. The loan was broken down into two (2) equal tranches of US\$2.5 million each. The loan was secured by a Letter of Guarantee from the Parent Company. In August 2010, Maybank ATR KE Capital obtained the first tranche amounting to US\$2.5 million. The loan had a term of one year from the date of drawdown with interest based on six-month London Interbank Offering Rate (“LIBOR”) on the date of first disbursement plus spread of three percent (3%) and was reset every six (6) months or cost of funds plus a spread of 1.50%, whichever was higher. Interest was payable semi-annually. Actual interest rate was 4.25% per annum in 2010 and 2011. The loan was renewable on a case-to-case basis. As of December 31, 2010, Maybank ATR KE Capital did not avail of the second tranche of the loan. The loan from the first drawdown was renewed in July 2011 with the same terms and conditions. The carrying amount of this loan as of December 31, 2011 was US\$2.5 million (equivalent to ₱109.6 million retranslated using an exchange rate of ₱43.84:US\$1.00 for 2011). Maybank ATR KE Capital paid the loan in full in June 2012.

On December 23, 2010, Maybank ATR KE Capital obtained a ₱200.0 million loan facility from another local bank and availed of ₱93.9 million in 2010. In March and April 2011, Maybank ATR KE Capital availed of a total of ₱105.7 million. The loans had a term of two years from the date of availment with interest based on the prevailing market rate and were reset every quarter. The loans were secured by assignment of receivables. Carrying value of this loan amounted to ₱114.0 million as of December 31, 2011. Maybank ATR KE Capital prepaid the loan in full in June 2012.

On September 18, 2012, the Maybank ATR KE Capital obtained a P50.0 million loan facility from a local bank for the acquisition of various government securities to comply with the basic security deposit requirement of BSP. The loan had a term of one year from the date of availment with interest based on prevailing market rate and to be reset monthly.

To secure various borrowings from local banks, various continuing surety agreements were issued by Macay Holdings, Inc. These continuing suretyship agreements covered maximum amounts of nil and P50.0 million as of December 31, 2013 and 2012, respectively.

Certain loan agreements have negative covenants relating to changes in nature of business, ownership or management, merger or consolidation, sale or lease of assets or events of default provisions should the loans remain unpaid. Maybank ATR KE Capital was in full compliance with the aforementioned covenants as of December 31, 2012.

Maybank ATR KE Securities

On September 9, 2009, Maybank ATR KE Securities entered into a loan line agreement with a local bank for working capital requirements amounting to P150.0 million with a maximum tenor of 360 days with interest at the bank's lending rate, payable in arrears. As of December 31, 2012, outstanding availments from the loan facility amounted to P41.0 million, bearing an effective interest rate of 7.00% per annum in 2012.

Insurance Contract Liabilities consist of:

	2013	2012
Legal policy reserves	P419,550,418	P295,136,802
Claims payable	191,804,895	177,369,110
Policyholders' dividends	3,803,287	4,000,389
Disposal of subsidiaries (Note 1)	(615,158,600)	-
	P-	P476,506,301

As of December 31, 2012, details of the Group's insurance contract liabilities are as follows:

	Gross	Reinsurance	Net
Reserves for:			
Ordinary life policies	P64,749,759	(P107,230)	P64,642,529
Group life insurance	23,949,054	(1,465,654)	22,483,400
Accident and health policies - ordinary	336,992	-	336,992
Accident and health policies - group	207,673,881	-	207,673,881
Legal policy reserves	296,709,686	(1,572,884)	295,136,802
Claims payable	177,369,110	-	177,369,110
Policyholders' dividends	4,000,389	-	4,000,389
	P478,079,185	(P1,572,884)	P476,506,301

□

The movements in legal policy reserves are as follows:

	2013			2012		
	Legal Policy Reserves	Reinsurer's Share in Liabilities	Net	Legal Policy Reserves	Reinsurer's Share in Liabilities	Net
As at January 1	₱296,709,686	₱1,572,884	₱295,136,802	₱730,907,677	(₱2,837,108)	₱728,070,569
New business, reinstatement and change in policy year	1,298,592,940	–	1,298,592,940	1,092,075,376	(345,223)	1,091,730,153
Released by death and other terminations and supplementary contracts	(1,202,826,353)	(1,455,243)	–	(1,052,205,496)	–	(1,052,205,496)
Disposal of a subsidiary (Note 5)	(392,476,273)	(117,641)	(392,358,632)	(473,429,700)	971,276	(472,458,424)
Others				(638,171)	638,171	–
As at December 31	₱–	₱–	₱–	₱296,709,686	(₱1,572,884)	₱295,136,802

The movements in claims payable are as follows:

	2013	2012
As at January 1	₱177,369,109	₱196,114,214
Paid during the year	(824,619,698)	(799,739,606)
Provisions during the year	839,055,483	802,135,478
Disposal of subsidiaries (Notes 1 and 5)	(191,804,895)	(21,140,976)
As at December 31	₱–	₱(177,369,110)

The movements in policyholders' dividends are as follows:

	2013	2012
As at January 1	₱4,000,389	₱49,831,469
Paid during the year	(543,251)	(1,911,914)
Provisions during the year	346,150	3,346,423
Disposal of subsidiaries (Notes 1 and 5)	(3,803,287)	(47,265,589)
As at December 31	₱–	₱ 4,000,389

Sensitivities

The analysis below is performed for the financial impact of reasonably possible movement in key assumptions with all other assumptions held constant, on the consolidated statements of income and changes in equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. However, to demonstrate the impact due to changes in assumptions, assumption changes are shown below on an individual basis.

The assumptions as of December 31, 2012 that have the greatest effect on the consolidated financial statements follow:

	Change in Assumptions	Increase (Decrease) in Net Liabilities	Increase (Decrease) in Profit Before Tax	Increase (Decrease) in Equity
Mortality	10%	₱976,305	(₱976,305)	(₱683,414)
	-10%	(1,029,114)	1,029,114	720,380
Discount rate	-1%	8,397,769	(8,397,769)	(5,878,438)

Other Liabilities - As of December 31, 2012, this account consists of:

Taxes, licenses and fees payable	₱59,269,559
Retirement liability (Note 30)	84,878,618
Life insurance deposit	13,461,015
Customers' deposits	12,051,118
Premium deposit fund	2,344,961
Miscellaneous	20,041,253
	<u>₱ 192,046,524</u>

Taxes, Licenses and Fees Payables

This account primarily consists of stock transaction tax payable, withholding taxes payable, gross receipts tax payable, fringe benefit tax payable and output tax payable.

Life Insurance Deposit

This account represents deposits paid by policyholders of ALGA and ALFA in advance, which may be applied to pay premium and/or other policyholder obligations.

Customers' Deposits

This account represents collections received from buyers of real estate, where the income recognition criteria on sale of real estate have not been met.

Premium Deposit Fund

This account pertains to funds of ALGA and ALFA held for policyholders with interest rates ranging from 3.00% to 5.00% per annum in 2012. Interest expense recognized in "Insurance benefits and claims" under "Operating expenses" amounted to ₱0.1 million in 2013 and ₱0.9 million in 2012.

The Group does not have other liabilities as of December 31, 2013.

Results of Operations

A. Sale of Maybank ATR KE Capital, ALGA and ATRKE Land

On August 2, 2013, the BOD of Macay Holdings, Inc. approved the sale of common shares in Maybank ATR KE Capital to its principal shareholder, MKEH at fair value as of December 31, 2012 amounting to ₱1.7 billion. The sale was executed immediately following the board approval. Total loss on the disposal of Maybank ATR KE Capital amounted to ₱29.0 million.

On September 25, 2013, the stockholders and BOD of Macay Holdings, Inc. approved the sale of substantially all of its assets, including its shares of stock in its subsidiaries, ALGA and ATRKE Land, to Maybank ATR KE Capital. The investments in shares of stock in ALGA and ATRKE Land were sold at their fair values as of December 31, 2012 amounting to ₱542.7 million and ₱435.4 million, respectively. After the sale, Maybank ATR KE Capital owns 95.24% of ALGA's common shares and 100% of ATRKE Land's common shares. Total loss on the disposal of ALGA and ATRKE Land amounted to ₱127.9 million.

B. Sale of ALFA, an indirect subsidiary

On May 17, 2012, ALGA, a 95.24% owned subsidiary of Macay Holdings, Inc., signed a purchase agreement with STI Investments, Inc., ("STI", a third party), wherein ALGA sold to STI its 12,249,999,986 fully paid common shares of ALFA, comprising about 70% of the total outstanding common shares of ALFA, at a price of ₱428.4 million, which is approximately 1.5 times ALFA's book value as of December 31, 2011. The IC

approved the sale on May 31, 2012. Total gain on the disposal of ALFA amounted to P108.4 million.

As at the disposal date, the equity attributable to NCI shareholders' interest in ALFA amounted to P134.9 million.

C. Shareholder agreements with ATR Holdings, Maybank ATR KE Capital, ALGA, and ATRKE Land

On August 15, 2011, ATR Holdings subscribed to 5,766,660 preferred shares of Maybank ATR KE Capital which entitled it to a 40.00% voting interest. These preferred shares are voting, cumulative and earn dividend at a fixed percentage per annum.

On August 17, 2011, Maybank ATR KE Capital, ALGA and ATRKE Land entered into separate Shareholders Agreements (the "Agreements") with ATR Holdings and Macay Holdings, Inc. The Agreements define the respective rights and obligation of, and governs the relationship among the shareholders of Maybank ATR KE Capital, ALGA and ATRKE Land. The Agreements also provide the voting rights and BOD representation of each of the shareholders of Maybank ATR KE Capital, ALGA and ATRKE Land.

The Agreements include provisions on transfers and other dispositions of the preferred shares of Maybank ATR KE Capital, ALGA and ATRKE Land held by ATR Holdings and issuance of new shares, rights of first refusal, tag-along rights, drag-along rights, lock-up and put option.

The Agreements provide that the lock-up period is from the date of signing of the Agreement up to its second anniversary (the "Lock-up Period"). Provided that when the Lock-up period shall have lapsed, ATR Holdings shall have the right (but not the obligation) to sell to the Parent Company or other qualified purchaser, all of the preferred shares that are owned and held by ATR Holdings (the "Put Option") at an agreed consideration. The put option shall be exercisable by ATR Holdings at any time after the lapse of the Lock-up period. Management assessed that the impact of this put option is not significant.

On August 18, 2011, ATR Holdings executed a Joint Voting Agreement, whereby ATR Holdings agreed to, at anytime (as permitted by local statutes), vote together and in accordance with the manner by which the BOD of the Parent Company shall vote on matters requiring resolution with respect to its interest in ALGA and ATRKE Land.

On August 24, 2011, the BOD of ALGA ratified the issuance of 37,500,000 preferred shares to ATR Holdings, a domestic corporation which represents 60% voting interest.

On November 30, 2011, the BOD of ALGA authorized the conversion of P100 million from Contributed Surplus to Paid up Capital. Consequently, ALGA issued 10,000,000 shares to common shareholders as a result of the conversion.

On December 29, 2011, the BOD of ALGA approved the following:

- a) Reclassification of 300,000 unissued common shares into 30,000,000 preferred shares and the amendment of the Articles of Incorporation to reflect the change; and
- b) Subscription by ATR Holdings to additional 12,559,537 preferred shares at par.

The above transactions resulted in a 60% ownership in ALGA by ATR Holdings and another domestic company, and a 40% ownership of Macay Holdings, Inc. On February 20, 2012, the IC endorsed the amendment to SEC. On March 26, 2012, the SEC approved the amendment.

Due to economic interest and control of Macay Holdings, Inc. in ALGA and ATRKE Land on the basis of the joint voting agreements executed, Macay Holdings, Inc. considers these entities as subsidiaries.

The share in net income of the NCI of ATR Holdings includes only the cumulative dividend income earned from the date they became the NCI shareholders of ALGA and Maybank ATR KE Capital.

D. Merger of ATR KimEng Insurance Brokers, Inc. ("ATRKE Insurance Brokers") and A.V. Ocampo

On July 21, 2010, ATRKE Insurance Brokers, a wholly-owned subsidiary of ATR KimEng Securities, Inc. ("ATRKE

Securities”, former name of Maybank ATR KE Securities) entered into a Plan and Agreement of Merger with A.V. Ocampo, with the latter as the surviving entity. The merger became effective upon the approval and issuance of the certificate of merger by the SEC on March 2, 2011. The merger resulted in ATRKE Securities owning 3.59% of the surviving corporation.

As a result of the loss in control of ATRKE Insurance Brokers, the Group derecognized the assets and liabilities of ATRKE Insurance Brokers which were previously consolidated into the accounts of the Group and recognized the equity interest in the surviving entity at P10.5 million, which approximates its fair value. The resulting gain on deconsolidation amounting to P7.1 million was recognized in the consolidated statement of income in 2011.

E. Others

Acquisition of operating assets of Mega Asia Bottling Corporation (Mega Asia) and Asiawide Refreshments Corporation by ARC Refreshments

On January 30, 2014, ARC Refreshments, the wholly-owned subsidiary of the Parent Company, signed an Asset Purchase Agreement with Mega Asia where the former acquired the equipment and other assets used in the bottling operations of Mega Asia. On the same date, ARC also signed an Asset Purchase Agreement with Asiawide for the purchase of assets used in the operations of the latter as well as the assumption of selected liabilities of Asiawide. The parties agreed to value the assets acquired at net book value as of cut-off date.

Item 7. Financial Statements

The audited financial statements and schedules as listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17-A.

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

The Company has engaged the services of SGV & Co. for the preparation of the audited financial statements for 2013. There are no disagreements with SGV & Co. on accounting and financial disclosure.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2012.

Please refer to Note 3 of the attached Company’s audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2012 and new PFRS and IFRIC that will be effective in 2013 and 2014.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2011 and December 31, 2012 have been audited by MS & Co., while the audited financial statements for the Company for the year ended December 31, 2013 have been audited by SGV & Co. (a member firm of Ernst & Young Global Limited), both independent auditors.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the years ended December 31, 2011, 2012, and 2013 for professional services rendered by MS & Co. and SGV & Co. to the Company.

	For the year ended December 31		
	2011	2012	2013
Audit and Audit-Related ServicesMS & Co.	7.0.M	8.0 M	
SGV & Co.			8.0M
Non-Audit Services			
Total	7.0M	8.0M	8.0 M

PART III.

CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Board of Directors

<u>Office</u>	<u>Name</u>	<u>Age</u>	<u>Citizenship</u>
Chairman	Alfredo M. Yao	70	Filipino
Director/President	Antonio I. Panajon	65	Filipino
Director	Armando M. Yao	62	Filipino
Director	Jeffrey S. Yao	45	Filipino
Director	Carolyn S. Yao	47	Filipino
Director	Mary Grace S. Yao	41	Filipino
Director	Roberto A. Atendido	66	Filipino
Director	Albert S. Toribio	62	Filipino
Director	Fernando R. Balatbat	68	Filipino
Independent Director	Jesus G. Gallegos, Jr.	67	Filipino
Independent Director	Roberto F. Anonas, Jr.	58	Filipino

The business experience of the members of the Board for the last five (5) years is as follows:

** Independent director - the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

Period of Directorship

<u>Name</u>	<u>Date Elected</u>
Alfredo M. Yao	25 October 2013
Antonio I. Panajon	25 October 2013
Armando M. Yao	25 October 2013
Jeffrey S. Yao	25 October 2013
Carolyn S. Yao	25 October 2013
Mary Grace S. Yao	25 October 2013
Roberto A. Atendido	25 October 2013
Albert S. Toribio	25 October 2013
Fernando R. Balatbat	25 October 2013
Jesus G. Gallegos, Jr.	25 October 2013
Roberto F. Anonas, Jr.	25 October 2013

Executive Officers

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Citizenship</u>
Antonio I. Panajon	President	65	Filipino
Fernando R. Balatbat	Treasurer	68	Filipino
Maila Roberta A. Padpad-Banaag	Corporate Secretary	39	Filipino

Period of Officership

<u>Name</u>	<u>Office</u>	<u>Period Held</u>
Antonio I. Panajon	President	25 October 2013 - Present
Fernando R. Balatbat	Treasurer	25 October 2013 - Present
Maila Roberta A. Padpad-Banaag	Corporate Secretary	25 October 2013 - Present

The Directors of the Company were elected at the special stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations as well as the Company's By-laws.

Nomination of Independent Directors shall be conducted by the Nomination Committee prior to the stockholders's meeting. The Nomination Committee shall prepare pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications set out by the Company.

(b) Significant Employees

The Company's business is not dependent on the services of any particular employee.

Directorships in Other Reporting Companies

The following are directorships held by Directors and Executive Officers in other reporting companies during the last five years:

<u>Name of Corporation</u>	<u>Position</u>
<i>Jeffrey S. Yao</i> Philippine Business Bank	Director
<i>Roberto A. Atendido</i> Philippine Business Bank.....	Director
Paxys Inc.	Director

The members of the Nomination Committee of the Company are as follows:

Jesus G. Gallegos, Jr., Chairman
Antonio I. Panajon
Fernando R. Balatbat

The members of the Audit Committee of the Company are as follows:

Roberto F. Anonas, Jr., Chairman
Jesus G. Gallegos, Jr.
Albert S. Toribio

The members of the Corporate Governance Committee are as follows:

Jesus G. Gallegos, Jr., Chairman
Roberto F. Anonas, Jr.
Roberto A. Atendido

Alfredo M. Yao, Filipino, has been the Chairman of the Company since 25 October 2013. He also serves as the Chairman Emeritus of the Board of Directors of Philippine Business Bank. He is also currently the Chairman of Zest-O Corporation, Semexco Marketing Corp., and Asiawide Refreshments Corp. He is currently serving as President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. He has had training on CISA Credit Bureau, and on SME Related Issues and other CTB Related issues with the Senate of the Philippines. He is at present serving as the President of the Philippine Chamber of Commerce and Industry (PCCI).

Armando M. Yao, Filipino, has been a director of the Company since 25 October 2013. He is the President of Mega Asia Bottling Corporation. He also has been a director of various companies, such as AMY Holdings, Inc., Zest-O Corporation, Semexco Marketing Corporation, Harman Foods, Uni-Ipel, Solmac Marketing, Inc., Asiawide Refreshments Corporation, SMI Development Corporation, Bev-Pack Inc., and Downtown Realty and Investment Corporation.

Antonio I. Panajon, Filipino, has been a director and President of the Company since 25 October 2013. He has over 40 years of experience in the beverage industry. He then worked for Pepsi Cola Bottling Company from 1974 to 1989, his last position being its Executive Vice President and Chief Operating Officer. He then moved to Cosmos Bottling Corporation from 1990 to 2001 as its President and Chief Operating Officer. He now serves as a director in Asiawide Refreshments Corporation, the producer and distributor of RC Cola in the Philippines. At present, he is also the Chairman of Summit Leasing and Financing Company. He also serves as a member of the board of directors of Pharma-Rex Pharmaceuticals Corporation, Tao Corporation, New MarketlinkPharma Corp., Asiawide-Kalbe Corporation, and General Nutrition Company. He earned his Bachelor of Arts in Public Administration degree from the University of the Philippines in 1970 and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Jeffrey S. Yao, Filipino, has been a Director and Vice President of the Company since 25 October 2013. He is also a member of the board of directors of Philippine Business Bank since 1999. He also currently serves as a director in Asiawide Refreshments Corporation. He is at present the Chief Operating Officer of Zest-O Corporation.

Carolyn S. Yao, Filipino, has been a director of the Company since 25 October 2013. She obtained her degree in Commerce from the University of Sto. Tomas. She has served as a director of various companies such as Zest-O Corporation, SMI Development Corporation, Mega Asia Bottling Corporation, AMY Holdings, Inc., Semexco Marketing Co., Downtown Realty Investment Corporation, and Bev-Pack, Inc.

Mary Grace S. Yao, Filipino, has been a director of the Company since 25 October 2013. She is a graduate of Food Technology from the University of the Philippines. She has been a director of various companies such as AMY Holdings, Inc., Zest-O Corporation, Semexco Mktg. Co., SMI Development Corporation, Downtown Realty Investment Corporation, and Bev-Pack, Inc.

Roberto A. Atendido, Filipino, has been a director of the Company since 25 October 2013. He currently serves as Executive Vice Chairman and director of Asian Alliance Investment Corporation and President and Director of Asian Alliance Holdings and Development Corporation. He is also Vice Chairman and Director of Sinag Energy Philippines, Inc. In addition, he is a member of the board of directors of Paxys, Inc., Philippine Business Bank, PICOP Resources Corp., Beneficial Life Insurance Co., Inc. and Pharma-Rex Pharmaceuticals Corp. He graduated from Ateneo de Manila University in 1970 after obtaining his degree in Bachelor of Science in Management Engineering, with honors. He completed his Master's Degree in Business Management from the Asian Institute of Management.

Albert S. Toribio, Filipino, has been a director of the Company since 25 October 2013. He was the Chief Finance Officer and director of Zest Airways, Inc. from 2008 until 2013. He has more than 20 years experience in the food and beverage business, beginning with Cosmos Bottling Corp. from 1990 until 2001, in which he last served as Senior Vice President/Chief Financial Officer, responsible for its comptrollership, accounting, management information system, financial planning, and treasury. He was concurrently an Assistant Vice President of RFM Corporation from 1992 to 1994. He is at present connected with Asiawide Refreshments Corp., serving as a director since 2003. He was also its Chief Financial Officer from 2007 to 2008. Mr. Toribio was likewise previously connected with Arthur Andersen & Co. from 1987 to 1990 and SGV & Co. from 1973 to 1987. He finished his degree in Bachelor of Science in Business Administration - Accounting with magna cum laude honors from the University of the East in 1972 and his Master's Degree in Business Management from the Asian Institute of Management in 1980.

Fernando R. Balatbat, Filipino, has been a director and Treasurer of the Company since 25 October 2013. He is currently also a director/Treasurer of Summit Leasing & Finance Inc. and director/Chief Financial Officer of Pharma-Rex Inc. He is likewise a director of First Ardent Property Development Corp., Unicapital Securities, Inc., Aster Management Corporation, and Costa de Madera Corporation. Mr. Balatbat has been in the finance sector for almost 40 years, serving as, among others, Group Vice President, Corporate Development Unit, of Metro Pacific Corporation from 1989 to 2004, as consultant to the

Governor of the Central Bank of the Philippines from 1981 to 1984, Managing Director and consultant of the PNB International Finance, Ltd. (Hong Kong) from 1981 to 1984, President and Director of Astley & Pearce - ASEAN, Inc. from 1977 to 1980, and as Vice President of the Treasury/Money Market Division of General Bank & Trust Company from 1974 to 1977. An awardee of the Ten Outstanding Young Men (TOYM) of the Philippines in 1982, Mr. Balatbat completed his Bachelor of Arts degree in Economics in 1965 and his Masters in Business Management in 1967 from the Ateneo de Manila University.

Jesus G. Gallegos, Jr., Filipino, has been an independent director of the Company since 25 October 2013. Currently a tenured full professor at the Asian Institute of Management (AIM), Prof. Gallegos focuses on strategic management, strategic innovation, and ethics. He is also presently the Chairman of the Board of Directors of Solutions Insurance Brokers, Inc. and Solutions Inc. Prior to his stint with AIM, he was Vice President for Operations and General Manager of International Food and Agriculture Resources Management Services, Inc. and Senior Consultant to the Secretary of the Department of Agriculture and Natural Resources. He previously taught at the De la Salle University (Doctor in Business Administration Program), Institute of International Studies and Training in Japan (Visiting Professor), Ateneo de Manila University Graduate School of Business, and Maryknoll College. He was also the Institute Dean and Chief Operating Officer of AIM from 1995 to 2000. A licensed engineer, Prof. Gallegos completed his degree in Bachelor of Science in Chemical Engineering from De la Salle University. He then obtained his Master's Degree in Business Management from AIM and his doctorate in Business Administration (with High Distinction) from De la Salle University. He was a recipient of AIM's Alumni Achievement Award (Triple A) and the De la Salle University Graduate School of Business's Most Outstanding Alumnus Excellence Award.

Roberto F. Anonas, Jr., Filipino, has been an independent director of the Company since 25 October 2013. He has been a member of the faculty of the School of Management and Entrepreneurial Management Program of the University of Asia and the Pacific since 2001. He also serves as an adjunct faculty member of the Business Administration Program of Enderun Colleges from 2010. He is also currently serving as the President of Marizza Manufacturing Corporation (since 1999) and The Finalist Corporation (since 2005). Prior to this, he was the President of Cyberland Global Corporation from 2009 to 2013. His corporate experience began in 1979 in investment banking with Philippine Commercial International Bank (PCIBank) and in telecommunications with Philippine Long Distance Telephone Company (PLDT) from 1987 till 1998. He completed his degree in Bachelor of Arts in Economics from the Ateneo de Manila University in 1976 and obtained his Masters in Business Administration degree from IMEDE under the University of Lausanne, Switzerland in 1978.

Maila Roberta A. Padpad-Banaag, Filipino, has been the Corporate Secretary of the Company since 25 October 2013. She was previously the Director - Legal Affairs of Zest Airways, Inc. from 2008 to 2013. She also worked with the Securities and Exchange Commission, Cebu Pacific Air, the Office of the Solicitor General, the Supreme Court, and the Court of Appeals. She obtained her degrees in Bachelor of Arts in Political Science and Bachelor of Laws in 1994 and 1998, respectively, from the University of the Philippines.

The Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-Laws of the Company.

(c) Family Relationships

Mr. Armando M. Yao is the brother of Mr. Alfredo M. Yao. Mr. Jeffrey S. Yao, Ms. Carolyn S. Yao, and Ms. Mary Grace S. Yao are the children of Mr. Alfredo M. Yao. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 36 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

(e) Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

- (1) any bankruptcy petition filed by or against any business of which such person was general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- (4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
- (5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

Executive Compensation of Macay Holdings

The Company does not provide compensation to its executive officers at the moment.

Employment contracts between the Company and named executive officers

The Company has no special employment contracts with the named executive officers.

Warrants and options outstanding

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

Stock option plan

The Company has no employee stock option plan.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2013, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Mazy's Capital, Inc.		Filipino	958,941,662	89.76%

Security Ownership of Management as of December 31, 2013

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/(I) indirect	Citizenship	Percent of Class
Common	Alfredo M. Yao	1 (D)	Filipino	0
Common	Armando M. Yao	1 (D)	Filipino	0
Common	Carolyn S. Yao	1 (D)	Filipino	0
Common	Jeffrey S. Yao	1 (D)	Filipino	0
Common	Mary Grace S. Yao	1 (D)	Filipino	0
Common	Antonio I. Panajon	1 (D)	Filipino	0
Common	Fernando R. Balatbat	1 (D)	Filipino	0
Common	Roberto A. Atendido	1 (D)	Filipino	0
Common	Albert S. Toribio	1 (D)	Filipino	0
Common	Jesus G. Gallegos, Jr.	1 (D)	Filipino	0
Common	Roberto F. Anonas, Jr.	1 (D)	Filipino	0
Total		11		0

Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

Change in Control

On 25 October 2013, Mazy's Capital, Inc. acquired 958,923,466 shares representing 89.75% of the outstanding capital stock of the Company.

Item 12. Certain Relationships and Related Transactions

Related transactions are described in Note 36 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

No other transaction was undertaken by the Company in which any Director or Executive Officer was involved or had a direct or indirect material interest.

To date, there are no complaints received by the Company regarding related-party transactions.

Transactions with Promoters

There are no transactions with promoters within the past five (5) years.

Events after the Reporting Period

Acquisition of Operating Assets of Asiawide Refreshments and Mega Asia Bottling Corporation by ARC Refreshments Corp.

As earlier discussed in Item 6 of this Report, on January 30, 2014, ARC Refreshments, the wholly-owned subsidiary of the Company, signed an Asset Purchase Agreements with Mega Asia and Asiawide Refreshments, in which the former acquired the equipment and other assets of Mega Asia and Asiawide.

PART IV.

EXHIBITS AND SCHEDULES

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

- (a) Exhibits - see accompanying Index to Exhibits
- (b) Reports on SEC Form 17-C

Reports on SEC Form 17-C were filed during the last six month period covered by this report and are listed below:

Date	Particulars
02 August 2013	Board approval of sale of shares of MATRKE Capital Partners, Inc.; Special Stockholders' Meeting on September 18, 2013 with record date of August 19, 2013
25 September 2013	Stockholders's approval of sale of substantially all of MAKE's assets to MATRKE Capital Partners, Inc.
30 September 2013	Comprehensive Corporate Disclosure re: Share Purchase Agreement between MKEHL and Mazy's Capital, Inc.; Lifting of trading suspension
25 October 2013	Closing transaction between Mazy's Capital Inc.; Resignation of directors and officers
18 November 2013	Special Board of the Board of Directors held on 18 November 2013 approving the following amendments on the articles of incorporation and by laws of the Corporation, to wit: <ul style="list-style-type: none">1. Articles of Incorporation<ul style="list-style-type: none">a. Amendment of Corporate Name to "Macay Holdings, Inc."b. Amendment of the primary purpose of the Corporation to reflect the business of a holding company.c. Amendment of the secondary purpose of the Corporation to remove references to rubber or vehicle tire business;2. Bylaws<ul style="list-style-type: none">a. Include a statement that the annual stockholders meeting may be held in May of each year or o such date as may be determined by the Board of Directors;b. Include a management report in order of business in the annual meeting of the stockholder;c. Amendment on the composition and functions of executive officers of the Corporation; and

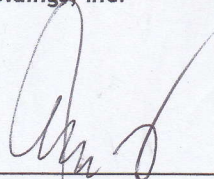
	<p>d. Change the corporate seal of the Corporation to reflect “Macay Holdings, Inc.”</p> <p>3. To seek the written assent of the stockholders of the Corporation for the change in corporate name and for this purpose, set the record date on 03 December 2013.</p> <p>4. Incorporation and formation of a food and beverage company and investment of the Corporation therein.</p>
26 December 2013	Stockholder’s approval by written assent of the amendments of the Article of Incorporation and Bylaws.
30 January 2014	Approval by the Securities and Exchange Commission of the amendment of the Company’s Articles of Incorporation and By-laws, as approved by the Board of Directors on 18 November 2013 and the stockholders through written asset on 03 December 2013.
03 February 2014	<p>Comprehensive Corporate Disclosure (Rule on Backdoor Listing) on the following transactions, to wit:</p> <ul style="list-style-type: none"> a. ARC Refreshments Corporation purchase of substantially all of the machinery and equipment of Mega Asia Bottling Corporation that are being used in the manufacture and bottling of carbonated beverages; b. ARC Refreshments Corporation acquisition of substantially all of the machinery and equipment of Asiawide Refreshments Corporation that are being used in the manufacture and bottling of carbonated beverages

SIGNATURES

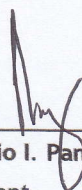
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of **Caloocan City** on _____, 2014.

Macay Holdings, Inc.

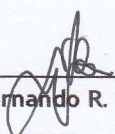
By:



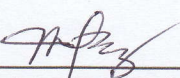
 Alfredo M. Yao
 Chairman



 Antonio I. Panajon
 President



 Fernando R. Balatbat
 Treasurer



 Atty. Maila Roberta A. Padpad-Banaag
 Corporate Secretary

APR 11 2014

SUBSCRIBED AND SWORN to before me this ____ day of _____ 20__ affiants exhibiting to me their Residence Certificates, as follows:

NAME	PROOF OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
Alfredo M. Yao	Passport No. XX5202965	29 December 2009	DFA - Manila
Antonio I. Panajon	Passport No. EB6199264	24 August 2012	DFA - Manila
Fernando R. Balatbat	Passport No. EB6551434	12 October 2012	DFA - Manila
Maila Roberta A. Padpad-Banaag	Passport No. EB2643885	09 June 2011	DFA - Manila

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 MCLE Compliance no. IV-0021928/05.11.13

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