COVER SHEET

2 8 7 8 8
S E C Registration Number

M A K A T I F I N A N C E

C O R P O R A T I O N

(Company's Full Name)

2 N D F l o o r , M a k a t i

F i n a n c e C e n t e r 7 8 2 3

M a k a t i A v e . , M a k a t i C i t y

(Business Address No. Street/City/Province)

EMMANUEL F. LAFORTEZA
Contact Person

896-0221
Company Telephone Number

1 2 3 1
Month *Day*
Fiscal Year
2007

SEC Form 20 - IS
(Definitive Info. Statement)
FORM TYPE

0 6
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

C R M D
Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter **MAKATI FINANCE CORPORATION**

3. **MAKATI CITY, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **28788**

5. BIR Tax Identification Code **000-473-966**

6. **7823 MAKATI AVENUE, MAKATI CITY** **1210**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(062) 896-02-21**

8. **June 14, 2007 5:00 p.m.** at **Ascott Makati (formerly Oakwood Premier), 6th Floor Glorietta 4, Ayala Ave., Makati City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **May 23, 2007**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON STOCK	80,687,187

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes ✓ No ____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    PHILIPPINE STOCK EXCHANGE Common Stock

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

NOTICE OF THE 2007 ANNUAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on **14 June 2007, Thursday, 5:00 p.m.**, at the Ascott Makati (formerly Oakwood Premier), Ayala Center, Makati City, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Shareholders' Meeting held on 1 June 2006
4. Annual Report
5. Approval of the Annual Report and the 2006 Audited Financial Statements
6. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of Independent External Auditors
9. Declaration of Dividends
10. Other Matters
11. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 19 May 2007. Registration for the meeting shall be at 4:30 p.m. Please present any proof of identification, such as driver's license, passport, or company I.D, to facilitate registration.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the corporation on or before 7 June 2007, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies shall be held on 8 June 2007 at 10:30 a.m. at the principal office of the Corporation. No proxy is being solicited.

18 May 2007.

ATTY. D. ENRIQUE O. CO
Corporate Secretary

/MFC-NS14JUN07v2 [DC-LAW SERVER]

2 F Makati Finance Bldg., 7823 Makati Avenue, Makati City, 1200 Philippines
Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
Website: www.makatifinance.com

INFORMATION REQUIRED IN INFORMATION STATEMENT

Statement That Proxies are Not Solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on June 14, 2007, 5:00 p.m. at the Ascott Makati (formerly Oakwood Premier), 6th Floor Glorietta 4, Ayala Avenue, Makati City. The complete mailing address of the principal office of Makati Finance Corporation is: 7823 Makati Avenue, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on May 23, 2007.

DISSENTERS' RIGHT OF APPRAISAL

The procedure to be followed in exercising the appraisal right of dissenting stockholders shall be in accordance with Section 81 to 86 of the Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

There are no matters to be taken up in the stockholders' meeting which would warrant exercise of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

Other than their election to the Board of directors, none of the incumbent Directors or Officers of the Company have any substantial interest, direct or indirect, in any matter to be acted upon in the Annual Stockholders' meeting.

None of the Company's Directors has informed the Corporation in writing that he intends to oppose any action to be taken in the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of March 31, 2007 is 80,687,187 with a par value of ₱1 per share. Pursuant to Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors. Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code. There were no voting trust holders of 5% or more as of March 31, 2007.

Stockholders of record of the Company as of May 19, 2007 ("the Record Date") shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS
(MORE THAN 5% AS OF MARCH 31, 2007)

Title of Class	Name and Address of Record Owner	Name/Address of Beneficial Owner	Citizenship	Amount of Ownership	Percentage Held
Common Shares	Amalgamated Investment Bancorporation -11/F Multinational Bancorporation Bldg. 6805 Ayala Avenue, Makati City (Stockholder)	Same	Filipino	49,657,344	61.54%
Common Shares	MF Pikeville Holdings/Pikeville Bancshares - 11/F Multinational Bancorporation Bldg. 6805 Ayala Avenue, Makati City (Stockholder)	Same	Filipino	7,709,154	9.55%
Common Shares	Michael Wee Soon Lock-7 Coronation St., Singapore (Stockholder)	Same	Singaporean	4,494,446	5.57%
	TOTAL			61,860,944	76.67%

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT (AS OF MARCH 31, 2007)

Title of Class	Name of Beneficial Owner	Amount of Ownership	Nature of Ownership	Citizenship	Percentage Ownership
Common	Michael Wee Soon Lock	4,494,446	R	Singaporean	5.57%
Common	Rene B. Benitez	2,847,294	R	Filipino	3.53%
Common	Joel S. Ferrer	1,094,163	R	Filipino	1.36%
Common	Teresita B. Benitez	377,019	R	Filipino	0.47%
Common	Max O. Borromeo	218,933	R	Filipino	0.27%
Common	Isidro B. Benitez	137,536	R	Filipino	0.17%
Common	Lo Kin Cheung	10	R	Singaporean	0.00%
Common	Juan Carlos del Rosario	18	R	Filipino	0.00%
Common	Augusto P. Nilo	10	R	American	0.00%
Common	Eugenio E. Reyes	10	R	Filipino	0.00%
Common	Gary P. Cheng	10	R	Filipino	0.00%
Common	Emmanuel F. Laforteza	118,628	R	Filipino	0.15%
	All directors & officers as a group	9,288,075			11.52%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Gary P. Cheng. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. No changes in control has occurred since the beginning of the last fiscal year.

NOMINATIONS TO THE BOARD

Pursuant to the Company's Corporate Governance Manual, the Nomination Committee shall pre-screen and shortlist all candidates to be nominated to become members of the Board of Directors. The Nomination Committee shall consider the guidelines set forth in the Manual. This is in accordance with memorandum circular no. 16 of the Securities and Exchange Commission. Nominations were screened by the Nomination Committee members. The incumbent members of the Board of Directors are expected to be nominated for the term 2007-2008

The following are nominated as Directors of the Company:

Dr. Isidro B. Benitez
Juan Carlos del Rosario
Max O. Borromeo
Teresita B. Benitez
Rene B. Benitez
Joel S. Ferrer
Atty. Eugene E. Reyes
Augusto P. Nilo
Michael Wee Soon Lock
Gary P. Cheng
Lo Kin Cheung

Pursuant to SRC Rule No. 38 on procedures of nomination and election of independent directors, Mr. Augusto P. Nilo and Atty. Eugenio E. Reyes are nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Nilo and Atty. Reyes up to the fourth civil degrees either by consanguinity or affinity.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors elected who shall serve for a term of one (1) year or until their successors shall have been elected, and their business experience for the last five years:

***Dr. Isidro B. Benitez**, 78, Filipino*, is the Chairman of the Board. Dr. Benitez has served as a Director since the Company's incorporation. He is also the Chairman of Obstetrics and Gynecology of the Makati Medical Center, MERG Realty Corporation and Amalgamated Development Corporation. Concurrently, Dr. Benitez is the Vice-Chairman of AIB and a Director of Nationwide Health Systems. He was formerly the Chairman of Obstetrics and Gynecology of the University of the Philippines / Philippine General Hospital where he worked from 1955 to 1988. He is presently the Chairman of the Examining Board of SGOP, Philippines, and a member of the American College of Surgeons, the Philippine College of Surgeons and the Philippine OB-Gyne Society. He obtained his Doctor of Medicine degree from the University of the Philippines, specialized in Obstetrics and Gynecology at John Hopkins University, Baltimore, Maryland and took courses in the Senior Executive MBA Program of the Ateneo de Manila University.

***Mr. Juan Carlos del Rosario**, 56, Filipino*, is the Vice Chairman of the Board. He has served as a Director since 1996. Mr. Del Rosario is currently the Chairman of AIB and Global Alliances, Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurance ("AIG Philippines") where he served as a member of the Board of Directors in several of the company's subsidiaries and affiliate companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Investment and Capital Corporation of the Philippines, Beacon Property Ventures, Inc. Prior to joining the AIG/Philamlife Group, he had worked for 18 years for Chase Manhattan Bank. He received his Master's Degree in Finance and Marketing from Colombia University in 1973 and joined the Executive Development Program of Cornell University.

***Ms. Teresita B. Benitez**, 72, Filipino*, is the Company's President. She has been a Director since 2001. She had previously worked for the Philippine Bank of Commerce as Assistant Personnel Manager and United Coconut Planters Bank as Assistant Corporate Secretary. She had also been a director at Asiatrust Bank and Amalgamated Development Corporation. At present she is the Treasurer and Director of Nationwide Health Systems and FLB Development Corporation and the President of MERG Realty and Development Corporation. Ms. Benitez obtained a Bachelor of Science degree in Commerce from the University of San Francisco.

Mr. Max O. Borromeo, *57, Filipino*, is the Company's Senior Managing Director. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is concurrently the President and a Director of Honda Cars Cebu, Inc., Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc. He is also a Director in the following companies: Cebu Holdings Inc., Borromeo Brothers Estate, Inc., Margarita Agro-Industrial Corp., Salud Borromeo Foundation, Inc. and McBros Development Corporation. At present, Mr. Borromeo is the governor of the Cebu Business Park. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Rene B. Benitez, *44, Filipino*, is the Company's Managing Director. He has been a Director since 1996. Prior to joining the Company, he held the position of Country Manager of the Development Bank of Singapore ("DBS") Securities, Inc. He has had extensive experience in foreign and local investment banking and capital market operations, having been connected with Insular Investment and Trust Corporation, Shearson Lehman Brothers (USA), Prudential Bache Securities (USA) and the World Bank. He was formerly a member of the Philippine Stock Exchange and is currently Director of H. Thomas Group, Inc., Vision Air Flight Support Service, Inc., Pikeville, Inc., MERG Realty and Development Corporation, Commercial Consumer Credit Corporation, Global Credit and Management Group, JCR Realty and Management and Interglobal Alliances. He graduated from Claremont Colleges / Pitzer College with a double degree in Business Economics and Organizational Studies. He also has a Master's Degree in Economics from Yale University.

Mr. Joel S. Ferrer, *52, Filipino*, has served as a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., an overseas recruitment company. At the same time he also manages his family's aquaculture business. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Augusto P. Nilo, *63, American*. Is one of the Independent Directors of the Company. He was elected as a Director in 2003 and concurrently a Director of Amalgamated Investment Bancorporation. Mr. Nilo had been the Executive Director of Sinar Mas Group of Companies and the Managing Director of Borneo Pulp & Paper Sdn. Bhd. He also held the position of President & CEO of China Tire Holding. Mr. Nilo graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas and entered the Business Graduate School at the University of the Philippines. He attended a Tade Finance seminar at the Chase Manhattan Bank in the United States in 1983.

Atty. Eugenio E. Reyes, *69, Filipino*, is one of the Independent Directors of the Company. He was elected as a Director only in the last quarter of 2003. Atty. Reyes is with Jacob Jacob & Associates, concurrently the Corporate Secretary of Parman, Inc. and Executive Secretary of the Philippine Association of Securities Brokers and Dealers, Inc. He was also a former Director of the Securities & Exchange Commission from 1999 to 2001. Atty. Reyes finished his Bachelor of Laws at the University of Southern Philippines in Cebu City.

Mr. Michael Wee Soon Lock, *69, Singaporean*, has served as a Director since 1998. Mr. Wee is a senior ASEAN banker and retired Executive Chairman of Development Bank of Singapore Securities Holding PTE Ltd. He has held the positions of the Chairman of NatSteel Ltd., Deputy Chairman of DBS Land, Executive Vice President of the Development Bank of Singapore, General Securities Investments Ltd., Singapore Bus Service Ltd., Laguna National Golf and Country Club, Ltd. and was the Director of NFC Merchant Bank, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of Birmingham and obtained his Masters Degree in Finance from the University of British

Colombia.

***Mr. Gary P. Cheng**, 43, Filipino*, was elected Director to serve the remaining term of Mr. Mariano A. Limjap who passed away last December 2004, and is concurrently the President of AIB. Prior to joining AIB, he was the Vice President of Investment Banking for J.P. Morgan in the United Kingdom and Hong Kong. Mr. Cheng's investment banking experience began with J.P. Morgan in New York, U.S.A. and eventually evolved into various responsibilities within the bank in Asia (Hong Kong) and Europe (London).

***Mr. Lo Kin Cheung**, 42, Singaporean*, is a newly elected Director who filled up the vacancy upon Mr. Chia Yan Heng's resignation. He is concurrently a director of AIB.

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Augusto P. Nilo and Atty. Eugenio E. Reyes were elected as the two (2) Independent Directors of the Company at the 2006 Annual Stockholders' Meeting.

SENIOR MANAGEMENT

***Mr. Emmanuel F. Laforteza**, Comptroller, 45, Filipino*. He has been employed by the Company since 2001. Concurrent to his position as the Company's Comptroller, Mr. Laforteza has also acted as Comptroller and Corporate Secretary for AIB, positions that he has held since 2001. He has had more than 17 years of experience in the finance and banking industry. Previous to this, he had worked as a Senior Manager at Keppel Bank Philippines and at Urban Bank of the Philippines. Mr. Laforteza obtained his Bachelor of Science Degree in Accounting from the University of Sto. Tomas. He also has a Masters Degree in Business Administration from the Ateneo Graduate School of Business

***Mr. Victor L. Guerrero**, Senior Manager of Account Management Group, 37, Filipino*. He has been employed by the Company since 1996. Previous to his employment in the Company, Mr. Guerrero has had close to 11 years of experience in the finance business. He had served in various positions in the United Coconut Planters Bank until 1995 and was Manager of the Product Management and Development Department of the First Women's Credit Corporation until 1997. Mr. Guerrero graduated with a Bachelor of Arts Degree in Economics from the University of Santo Tomas.

***Ms. Felvirina C. Cruz**, Chief Accountant-Finance Group, 38, Filipino.* She has been employed by the Company since 1996. Ms. Cruz is a Certified Public Accountant with more than 10 years of experience in the finance business. Before MFC, she had previously been employed with Fortune Savings and Loan Association as Audit Assistant and First Women's Credit Corporation as a Branch Accountant. For a time she also served as the Accounting Head of Commercial & Consumer Credit Corporation, a MFC subsidiary. Ms. Cruz graduated with a Bachelor of Science Degree in Business Administration from the National College of Business and Arts.

***Mr. Albert J. Batacan**, Office Manager, Office Operations and Acquired Assets, 48, Filipino.* He has been employed by the Company since 2000. Prior to his employment with the Company, Mr. Batacan had served in various functions in a number of companies through the years. His more recent job experiences were with PARMAN, Inc. as Administrative Assistant, Toyota Bel-Air, Inc. as Financing Coordinator and YL Finance, Inc. as a Marketing Officer. Mr. Batacan graduated with a Bachelor of Science in Management Degree from the Letran College.

FAMILY RELATIONSHIP

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez is their son.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers was involved during the past five years in any bankruptcy proceedings up to March 31, 2007. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, not any action by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of business, the Company has loans and other transactions with its subsidiaries and affiliates, and with certain directors and stockholders. These transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks. The Company had outstanding obligations to certain stockholders amounting to P 74.7 million as of December 31, 2006. Outstanding obligations to certain stockholders as of March 31, 2007 amounted to P78.3 million.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY**	**BONUS**	**OTHER COMPENSATION**
2007 (Estimate)	Top 4 Executive Officers: Max Borromeo-Senior Managing Director Teresita Benitez - President Rene B. Benitez - Managing Director Emmanuel F. Laforteza - Controller			
	TOTAL	4,790,500	867,500	240,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	4,790,500	1,450,710	720,000
2006 (Actual)	Top 4 Executive Officers: Max Borromeo-Senior Managing Director Teresita Benitez - President Rene B. Benitez - Managing Director Emmanuel F. Laforteza - Controller			
	TOTAL	4,310,233	774,000	150,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	4,310,233	1,054,600	450,000

2005 (Actual)	Top 4 Executive Officers: Max Borromeo-Senior Managing Director Teresita Benitez - President Rene B. Benitez - Managing Director Emmanuel F. Laforteza - Controller			
	TOTAL	3,812,000	542,000	120,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	4,680,433	1,355,000	440,000

The Company has an existing management contract with Cebu Maxi Mgmt. Corporation for advice and assistance to be provided by Mr. Max O. Borromeo as Senior Managing Director and with Pikeville, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez as Managing Director. The directors receive per diem each amounting to ₱ 20,000.00 for every attendance at a Board meeting or any meeting of the Board Committees. There are also no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered.

IDENTITY OF SIGNIFICANT EMPLOYEES

There is no person who is not an executive officer who is expected to make a significant contribution to the business of the company.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of SGV & Co. is the incumbent external auditor of the Company for the calendar year 2006 and is being recommended for re-appointment for the current year.

The Company has complied with SEC Memorandum Circular No. 8, Series of 2003 regarding rotation of external auditors or engagement partners every five years. Ms Jessie D. Cabaluna, SGV partner, has replaced Mr. Renato J. Galve as the reviewer/auditor of the Company effective the year ending December 31, 2006.

The representatives of the said firm are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

There had been no disagreements with SGV & Co. with regards to accounting policies and financial disclosures of the Company.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of P12,193,904 is P3,658,170, 50% of the amount, P1,829,066 was declared as stock dividend and the other 50%, P1,829,104 was declared as cash dividend. For the year 2004, the Board of Directors approved the following: 30% of the audited net income after tax of P14,164,809 is P4,249,442, 50% of which shall be declared as cash dividends and the other 50% as stock dividends, which is equivalent to P2,124,721 for each type of dividends. Stock dividends shall be approved by a majority vote of the stockholders.

OTHER MATTERS

PROPOSED ACTION

The following matters will be submitted to a vote at the Annual Meeting of the stockholders:

1. Approval of the Minutes of the 2006 Annual Stockholders' Meeting held on June 1, 2006

A copy of the Minutes will be made available during the Annual Stockholders' Meeting. The summary of matters taken up during the 2006 Annual Stockholders' Meeting held last June 1, 2006 is as follows:

a. Approval of the Minutes of the Annual Stockholders' Meeting held on June 9, 2005 and the 2005 Annual Report;
b. Ratification of the acts of the Board of Directors, Executive Committee and Management since the annual stockholders' meeting held on June 9, 2005.
c. Election of Officers;
d. Appointment of External Auditor;
e. Declaration of stock dividends;

2. Approval of the 2006 Annual Report and the 2006 Audited Financial Statements

A copy of the 2006 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2006 Annual Report will be presented during the Annual Stockholders' Meeting.

3. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers since the 2006 Annual Stockholders' Meeting

All acts and proceedings taken by the Directors and Corporate Officers relate mostly to the regular business transactions wherein the Board of Directors is required to act upon. These actions are subjected to annual review of the Company's independent auditors. Major items are as follows:

a. Appointment of members of various committees, namely Executive Committee, Audit Committee, Nomination Committee, Retirement Committee and Compensation Committee

Copies of the Minutes of the Meetings of the Board of Directors may be examined by stockholders of record as of Record Date at the office of the Corporate Secretary c/o Daniel Co Law Office at 11/F Atlanta Center, 31 Annapolis St., Greenhills, San Juan, Metro Manila during office hours.

4. Election of Directors

The same Directors are expected to be re-elected except for the possible election of new Independent Directors.

5. Appointment of External Auditor

It is expected that SGV & Co. will be reappointed as the Company's external auditor.

VOTING PROCEDURES

The affirmative vote of stockholders present in person or by proxy representing at least a majority of the outstanding capital stock of the Corporation shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting. Matters to be approved under "Other Matters" of the agenda, if any, shall be approved by stockholders owning majority of the shares of stock present during the annual stockholders' meeting or such other voting requirement as may be mandated by law.

The manner of voting and counting of votes will be as follows:

a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of May 19, 2007. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before June 1, 2007 for inspection and recording shall be honored for purposes of voting.
b) On stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (i) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.
d) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The registrant undertakes to provide *without charge* to each stockholder a copy of the Company's Annual Report on SEC Form 17-A upon written request to the Company addressed to:

ATTY. DANILO ENRIQUE O. CO
Corporate Secretary
Makati Finance Corporation
2/F Makati Finance Center
7823 Makati Avenue, Makati City

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MAKATI FINANCE CORPORATION
Issuer

Date: May 21, 2007

EMMANUEL F. LAFORTEZA/Corp. Info. Officer
Signature and Title

MAKATI FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Makati Finance Corporation (MFC) was established in February 17,1966 as a finance and investment corporation. In the mid-2000, the Company formed a new management team, which after thorough analysis of its operations decided to drop its less profitable product lines. MFC also stopped operations of its subsidiaries. MFC focused on two (2) main loan products, namely: (a) consumer loans to medical professionals, and (b) Corporate loan for additional working capital. During this year, the company went through the process of restructuring its balance sheet by undertaking a quasi-reorganization that wiped out its accumulated deficits. The new management implemented cost-cutting measures and imposed higher standards of credit evaluation. These decisions eventually led to the turnaround of the Company's operations in 2001.

Today, Makati Finance is staffed by professionals with a wealth of experience in the field of banking, finance and investment obtained from reputable local and foreign firms. MFC constitutes a better alternative than bigger banks in providing specific financial products and services with a personalized touch.

The Company monitors performance through various indicators like Return on Equity, Return on Assets, EBIT Margin, and Earnings per Share on quarterly and annual basis. Debt performance is also considered in evaluating overall performance. Only figures for MFC were considered since all the subsidiaries of the Company are not operating anymore. MFC has also become confident that no uncertain nor contingent events that could trigger a direct or material financial obligation on the part of the Company, including any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements or obligations and other relationships of the Company with unconsolidated entities or other persons created for the year 2006.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with SGV & Co. with regards to accounting policies and financial disclosures of the Company. Mr. Renato J. Galve, SGV partner, has been the reviewer/auditor of the Company since year 2001, and having completed the five year cap requirement of SEC, has been replaced by Ms. Jessie Cabaluna effective year 2006.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has paid SGV & Co. ₱ 341 thousand and ₱ 375 thousand for the years 2006 and 2005 respectively. The Company has not engaged SGV & Co. for tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the Board of Directors. Recommendations by the audit committee are then deliberated during the Board meetings.

RESULTS OF OPERATIONS - YEAR 2006

Net income after tax from audited financial statements for the year 2006 was ₱16.2million while net income after tax for the year 2005 was P12.2 million, The increase of P4.0 million or 33% over the net income of 2005 was primarily due to the increase in net interest income by P11.5 million or 34.8% over last year. The lending operations for both factoring of receivables and motorcycle financing accounted for the increased revenues with total loan receivables increasing by P67.2 million or 52% over the loans portfolio of 2005. Return on equity (ROE) for the year 2006 was 11.8% while ROE for the year 2005 was 9.9%. Earnings before interest and taxes (EBIT) margin was 56.3% and 52.5% for the years 2006 and 2005 respectively, or an increase of 3.8%. Earnings per share were P0.20 and P0.15 for the years 2006 and 2005 respectively

FINANCIAL CONDITION AND CAPITAL RESOURCES

For the year ended December 31, 2006, the company's total assets reached ₱233.9 million. The increase in assets was P66.4 million or 39.6% of last year's assets. Increase in the Company's borrowings was due to increased loan production. Motorcycle financing and factoring beefed up the loan portfolio for the year.

RESULTS OF OPERATIONS - YEAR 2005

Net income after tax from the audited financial statements for the year 2005 was ₱15.2 million while restated 2005 result was at ₱12.2million. The drop was primarily due to the changes in financial reporting standards being imposed effective January 1, 2005. Unadjusted net operating income would have been ₱15.4 million, which was 120% of year 2004's audited net income. The difference between the tentative net results against the unadjusted net income was due to various adjustments in recognition of certain income and on certain expense items - revaluation of financial assets. Return on equity (ROE) for year 2005 was 9.7% while adjusted ROE for year 2004 was 10.9%. Return on assets for 2005 was 7.1% while for 2004 it was 9.2%. The drop is due to the Company's thrust to go for lower risk, lower yield loans instead of high yield, high risk loans. Earnings before interest and taxes (EBIT) margin was 63.0% and 53.9% for the years 2005 and restated 2004, a growth of 0.9%. Earnings per share were P0.15 and P0.17 for years 2005 and 2004 respectively.

FINANCIAL CONDITION AND CAPITAL RESOURCES

MFC focused on building up the loan portfolio in 2005. For the year ended December 31, 2005, the company's total assets reached ₱171.6 million. Despite the revaluation in assets because of the implementation of new international accounting standards, the increase in assets was 25.3% of last year's restated amount of assets. Increase in the Company's borrowings was due to increased loan production towards the latter part of the year as part of management's plan to build up the Company's loan assets. Debt performance for the year 2005 was at 21.8% against 9.9% in year 2004

RESULTS OF OPERATIONS - YEAR 2004

Net income after tax for the year 2004 was ₱14.2 million while net income after tax for the year 2003 was ₱12.7 million, an increase of 10.9%. The company continued to produce more quality loans despite the increase in expenses for the year. Other income increased by 171.7% mainly due to a recovery of charged off receivable through payment of property. Deferred tax asset amounting to ₱5.9 million were reversed to reflect realizable value of this asset. Return on equity for the year was at 12.34%. EBIT margin increased from 45.6% in 2003 to 50.7% in 2004. Return on assets was at 12.2% in 2004. The interest income over the average portfolio was at 45.4% in 2002 to 41.4% in 2004; reflecting management's thrust towards producing a better quality loan profile of less income-generating yet less risky loan products.

FINANCIAL CONDITION AND CAPITAL RESOURCES

For the year ended December 31, 2004, MFC's total assets amounted to ₱136.68 million. Receivables which were already uncollectible totaling P19.5 million were written-off. A property in Rosario, La Union was acquired as payment of a written off receivable valued at ₱4.0 million. The net income growth was 9.8%, while total assets' growth was 21.2%. Receivables increased by 31.8%. Increase in stockholers' equity was 11.8%. The EBIT margin, which was at 45.7% for the year 2003 (A result of change in product mix from high yielding high risk Rx Cash Line to lower yield yet lower risk business).

The year's net income increased the retained earnings to ₱33.7 million for 44.2% of year 2003. Earnings per share for the year was ₱0.18 while return on assets was 10.4%. ₱3.8 million or thirty percent of the net income for 2003 were declared as dividends, fifty percent were paid in cash and the other fifty percent were stock dividends.

KEY PERFORMANCE INDICATORS:

Following are the top five (5) key performance indicators of the Company.

1. Asset Quality

MFC's asset quality dramatically improved in 2006 due to the sale of P5.3Mn worth of non-performing assets. As a result of the sale, investment properties was reduced to P14.3 million or 6.1% of total assets.

2. Profitability

	12/31/06	12/31/05
Return on equity	11.8%	9.9%
EBIT Margin	56.3%	52.5%
Earnings per share	P0.20	P0.15

3. Liquidity

The ratio of liquid assets to total assets were 87.9% and 78.8% as of December 31, 2006 and 2005 respectively.

4. Cost Efficiency

The ratio of total operating expenses (excluding provision for losses) to the total operating income for December 31, 2006 and 2005 were 50.7% and 45.7%, respectively.

5. Capital Adequacy

The capital adequacy ratio of the Company covering credit risks as of December 31, 2006 and 2005 were 141.2% and 272.8%, respectively.

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

There are no known trends, events or uncertainties that will have a material impact on the company's liquidity.

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

CAPITAL EXPENDITURES

The Company has no material commitments for capital expenditures.

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

There are no known trends, events or uncertainties with material impact on sales.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

Significant elements of net income of the Company for 2006 came from its continuing operations.

SEASONAL ASPECTS

There was no seasonal aspect that had material effect on the Company's financial condition or results of operation

PLANS AND PROSPECTS

The Company has outlined plans geared towards its goal of improving the quality of its service and further increasing its shareholder value. The Company has chosen to adopt sales and marketing strategies that are expected to strengthen its foothold in its existing niche markets and, at the same time, enter new niche markets. The Company also intends to expand its distribution reach through the geographical expansion of its trading areas.

The Company's future plans and prospects can be categorized primarily into changes it intends to undertake and implement with regard to its lending activities and funds generation.

Lending Activities

Being its core business, the Company has formulated plans to expand its lending operations that will guarantee sustained growth. Its lending activities and loan products will still be focused on the niche consumer loan market and SME markets, due to the experience it has gained from these segments. MFC will also undertake steps to raise the quality of service it provides to its current and future clients. As part of its future plans and prospects the Company has outlined the following:

- Increasing the generation of fleet accounts in the field motorcycle financing either by Salary Deduction or Corporate installment plans.
- Introduction of leasing in the financial service of the company.
- Re-introduction and marketing of Auto loans (Brand new and used units) in order to increase the ratio on secured portfolios
- Adoption of an integrated information system suited for the new operations and financial services of the company
- Continous growth in the portfolios of the Company's 3 main credit facilities (Factoring, Rx cash Line and Motorcycle Financing)

Funds Generation

Serving as the lifeblood of the firm's operations, the Company is aware of the need to have a constant flow of funds to support its lending operations. Although part of that requirement will be met by loans collections, the Company will need to have additional resources if it intends to undertake further expansion in the future. The Company intends to meet this additional requirement through the following:

- Availment of additional credit lines from banks;
- Acceptance of private placements under the 19 lender rule
- Disposal of other acquired assets such as real estate properties
- Possible set-up of a Rural Bank

There are a total of 95 stockholders as of March 31, 2007.

HOLDERS OF COMMON STOCK As of March 31, 2007:

TOP 20 Stockholders

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INV. BANCORP.	FIL	A	49,657,344.00	61.543035%
MF PIKEVILLE HOLDINGS INC.	FIL	A	7,709,154.00	9.554372%
MICHAEL WEE	FOR	A	4,494,446.00	5.570210%
BORROMEO BROS. ESTATE INC.	FIL	A	3,549,313.00	4.398856%
ERIC B. BENITEZ	FIL	A	3,029,157.00	3.754198%
MELLISSA B. LIMCAOCO	FIL	A	2,718,675.00	3.369401%
RENE B. BENITEZ	FIL	A	2,588,468.00	3.208029%
GLEN B. BENITEZ	FIL	A	2,588,468.00	3.208029%
JOEL FERRER	FIL	A	1,094,163.00	1.356055%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	536,224.00	.664571%
TERESITA B. BENITEZ	FIL	A	377,019.00	.467260%
PCD NOMINEE CORPORATION	FIL	A	235,344.00	.291675%
MERG REALTY DEVELOPMENT	FIL	A	187,683.00	.232606%
FLB DEVELOPMENT CORPORATION	FIL	A	148,582.00	.184146%
ISIDRO B. BENITEZ	FIL	A	137,536.00	.170456%
SOFIA LIMJAP	FIL	A	134,093.00	.166189%
MELLISSA B LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	A	129,413.00	.160389%
RENE BENITEZ ITF LORENZO L. BENITEZ	FIL	A	129,413.00	.160389%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	129,413.00	.160389%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	129,413.00	.160389%
SUB-TOTAL			79,703,321.00	98.780641%
OTHER STOCKHOLDERS (75)			983,866.00	1.219369%
GRAND TOTAL (95 stockholders)			80,687,187.00	100.000000%

There are no directors and nominees holding more than 5% ownership affected by any acquisition, business combination or other reorganization, and no other commitments with respect to issuance of shares.

MARKET SHARE INFORMATION

A total of 19.56 million shares of stock were offered to the general public in the company's Initial Public Offering (IPO), which was officially launched last January 6, 2003. Last trade transaction was on December 29, 2005 where 25,000 shares of stock were traded. According to the Philippine Stock Exchange Website, latest available price information on Makati Finance's stock price is P1.94 per share as of December 29, 2006. The Company has not gone into a business combination nor any reorganization for the year 2006.

Market prices for the last year were as follows:

Quarter Ending	Market Prices	
	High	Low
March 2007	P 1.94	P1.94
December, 2006	1.94	1.94
March, 2006	2.00	2.00
December, 2005	2.00	2.00
September, 2005	2.70	1.52
June, 2005	2.70	1.52
March, 2005	2.70	1.52

As of March 31, 2007, market prices for MFC stock were at P1.94 (high) and P1.94 (low). There were no trades made from January 2007 to date.

DIVIDENDS

As approved by the board of directors and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year.

On June 1, 2006, the BOD has approved the declaration of cash dividends of P1,829,104 and 2.32% stock dividends amounting to P1,829,066 in favor of stockholders of record as of June 29, 2006. On June 9, 2005, the BOD approved the declaration of cash dividends amounting to P2,124,733 and a 2.77% stock dividends amounting to P2,124,709 to stockholders of record as of July 4, 2005.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

On June 1, 2006, the BOD has approved the declaration of 2.32% stock dividends amounting to P1,829,066 in favor of stockholders of record as of June 29, 2006. On June 9, 2005, the BOD approved the declaration of 2.77% stock dividends amounting to P2,124,709 to stockholders of record as of July 4, 2005

NAMES OF THE UNDERWRITERS OR IDENTITY OF PERSONS TO WHOM THE SECURITIES WERE SOLD

There were no underwriters or persons to whom the stock dividends were sold

SECURITIES SOLD FOR CASH

There were no stock dividends which were sold for cash.

EXEMPTION FROM REGISTRATION CLAIMED

Pursuant to SRC Rule No. 10 Section D, the declaration of stock dividends is an exempt transaction. The approval of the Commission for the stock dividend declaration was not sought by the Company.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Makati Finance shall set up an evaluation system that will determine and measure compliance with the Manual on Corporate Governance.

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003. To monitor compliance, the board of directors designated Mr. Emmanuel F. Laforteza as compliance officer. The Company submitted to the SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act No. 9194 on October 28, 2004. Lastly, the Company's By-Laws shall be amended to incorporate provisions on independent directors. Deviations from the Company's Manual on Corporate Governance are not applicable. With regards to plans on improving corporate governance of the Company, Makati Finance is already adopting the International Accounting Standards in the presentation of its financial statements with the help of its external auditors. Communications are open with SGV with regards to further compliance with the IAS.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management of Makati Finance Corporation is responsible for all information and representations contained in the audited financial statements as of December 31, 2006, 2005 and 2004. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality.

It is in this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that the transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data (ii) material weaknesses in the internal controls; (iii) and fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Sycip, Gorres & Velayo, the independent auditors appointed by the Board of Directors and Stockholders, have audited the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such audit, in the report to the Company's Board of Directors and stockholders as shown in the succeeding page.

TERESITA B. BENITEZ **President**	**MAX O. BORROMEO** **Senior Managing Director**	**EMMANUEL F. LAFORTEZA** **Comptroller**

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES
CITY OF -ZON CITY M.M. SS

Personally came and appeared before on this ___ day of MAY 0 2 2007 2007___, at Makati City, **Dr. Teresita B. Benitez, Mr. Max O. Borromeo and Mr. Emmanuel Laforteza** with Community Tax Certificate Nos. 15094314, 15317422 and 06234853 issued on Jan. 4, 2007 at Makati City, Jan. 31, 2007 at Cebu City and Jan 8, 2007 at Makati City respectively, known to me and to me known to be the same persons who executed the foregoing STATEMENT OF MANAGEMENT'S RESPONSIBILITY and acknowledged that the same is their free act and voluntary deed.

This instrument consisting of ___________ pages including this whereon the acknowledgement is written, together with its' ANNEXES, has been signed by the party and witnesses on each and every page thereof.

WITNESS MY HAND AND SEAL, at the place and on the date first above written.

JOEL ... Notary Public

Doc No. 411;
Page No. 84;
Book No. ___;
SERIES OF 2007.

PTR NO. ... QUEZON ...

MAKATI FINANCE CORPORATION

Financial Statements
December 31, 2006 and 2005
and for the Years Ended December 31, 2006, 2005 and 2004

and

Independent Auditors' Report

SGV & Co

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Makati Finance Corporation
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

We have audited the accompanying financial statements of Makati Finance Corporation which comprise the balance sheets as at December 31, 2006 and 2005, and the statements of income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2006, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation as of December 31, 2006 and 2005, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2006 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 0266532, January 2, 2007, Makati City

April 20, 2007

MAKATI FINANCE CORPORATION
BALANCE SHEETS

	December 31	
	2006	2005
ASSETS		
Cash and Cash Equivalents	**9,825,332**	3,291,906
Loans and Receivables (Notes 6, 10 and 16)	**195,940,309**	128,725,748
Investment Properties (Note 7)	**14,281,912**	19,639,782
Property and Equipment (Note 8)	**5,971,278**	6,800,653
Deferred Tax Assets (Note 14)	**5,069,449**	6,092,585
Other Assets (Note 9)	**2,858,089**	3,021,574
	233,946,369	167,572,248
LIABILITIES AND EQUITY		
Liabilities		
Notes payable (Note 11 and 16)	**78,936,853**	37,308,333
Accrued expenses (Notes 15 and 18)	**5,003,009**	3,699,554
Accounts payable and other liabilities (Note 12)	**13,046,114**	3,940,001
	96,985,976	44,947,888
Equity (Note 13)		
Capital stock - 1 par value		
Authorized - 90,000,000 shares		
Issued and outstanding - 80,687,184 shares	**80,687,184**	78,858,118
Additional paid-in capital	**4,347,611**	4,347,611
Retained earnings	**52,035,598**	39,488,631
Net unrealized loss on available-for-sale investments (Note 9)	**(110,000)**	(70,000)
	136,960,393	122,624,360
	233,946,369	167,572,248

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31		
	2006	2005	2004
INTEREST INCOME (Note 16)	**₱52,581,132**	₱33,943,286	₱36,400,318
INTEREST EXPENSE (Notes 11 and 16)	**8,174,475**	1,000,030	150,625
NET INTEREST INCOME	**44,406,657**	32,943,256	36,249,693
Gain on sale of investment properties	**2,406,431**	743,411	45,360
Service charges	**465,698**	1,088,552	1,489,283
Recovery on assets charged off	–	–	4,000,000
Miscellaneous (Note 16)	**842,982**	4,921,726	666,189
TOTAL OPERATING INCOME	**48,121,768**	39,696,945	42,450,525
Salaries and employees' benefits (Notes 15 and 16)	**4,917,037**	3,649,757	4,704,798
Professional fees (Note 16)	**4,867,092**	2,131,650	5,969,463
Taxes and licenses	**3,709,445**	2,299,195	2,313,704
Depreciation and amortization (Notes 7 and 8)	**2,745,345**	2,468,552	1,173,089
Management fees (Note 16)	**1,905,228**	1,875,868	1,296,047
Transportation and travel (Note 16)	**1,222,484**	674,525	625,352
Rent (Notes 16 and 19)	**964,124**	499,315	452,545
Commissions	**788,314**	367,915	410,944
Entertainment, amusement and recreation (Note 14)	**401,026**	375,525	322,888
Unrealized foreign exchange losses	**189,142**	222,531	–
Provision for impairment and credit losses (Note 10)	**170,371**	1,168,642	1,411,203
Amortization of software costs (Note 9)	**150,000**	420,930	420,930
Litigation/asset acquired expenses	**59,634**	51,520	1,170,464
Miscellaneous (Notes 16 and 18)	**2,503,548**	3,117,438	2,693,517
TOTAL OPERATING EXPENSES	**24,592,790**	19,323,363	22,964,944
INCOME BEFORE INCOME TAX	**23,528,978**	20,373,582	19,485,581
PROVISION FOR INCOME TAX (Note 14)			
Current	**6,300,705**	1,466,363	900,250
Deferred	**1,023,136**	6,713,315	5,922,762
	7,323,841	8,179,678	6,823,012
NET INCOME (Note 17)	**₱16,205,137**	₱12,193,904	₱12,662,569
Basic Earnings Per Share (Note 17)	**₱0.20**	₱0.15	₱0.17

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Loss on Available For-Sale Investments (Note 9)	Total Equity
Balance at January 1, 2006, as previously reported	₱78,858,118	₱4,347,611	₱43,137,061	(₱70,000)	₱126,272,790
Prior period adjustment (Note 20)	–	–	(3,648,430)	–	(3,648,430)
Balance at January 1, 2006, as restated	78,858,118	4,347,611	39,488,631	(70,000)	122,624,360
Changes in fair value on available for sale investments	–	–	–	(40,000)	(40,000)
Net income for the year	–	–	16,205,137	–	16,205,137
Total income for the year	–	–	16,205,137	(40,000)	16,165,137
Stock dividends (Note 13)	1,829,066	–	(1,829,066)	–	–
Cash dividends (Note 13)	–	–	(1,829,104)	–	(1,829,104)
	1,829,066		(3,658,170)	–	(1,829,104)
Balance at December 31, 2006	**₱80,687,184**	**₱4,347,611**	**₱52,035,598**	**(₱110,000)**	**₱136,960,393**
Balance at December 31, 2004, as previously reported	₱76,733,409	₱4,347,611	₱35,192,599	₱–	₱116,273,619
Cumulative effect of change in accounting policy for financial instruments as of January 1, 2005	–	–	–	(100,000)	(100,000)
Prior period adjustment (Note 20)	–	–	(3,648,430)	–	(3,648,430)
Balance at January 1, 2005, as restated	76,733,409	4,347,611	31,544,169	(100,000)	112,525,189
Changes in fair value on available for sale investments	–	–	–	30,000	30,000
Net income for the year	–	–	12,193,904	–	12,193,904
Total income for the year	–	–	12,193,904	30,000	12,223,904
Stock dividends (Note 13)	2,124,709	–	(2,124,709)	–	–
Cash dividends (Note 13)	–	–	(2,124,733)	–	(2,124,733)
	2,124,709	–	(4,249,442)	–	(2,124,733)
Balance at December 31, 2005	₱78,858,118	₱4,347,611	₱39,488,631	(₱70,000)	₱122,624,360
Balance at January 1, 2004, as previously reported	₱74,818,068	₱4,347,611	₱26,361,227	₱–	₱105,526,906
Prior period adjustment (Note 20)	–	–	(3,648,430)		(3,648,430)
Balance at January 1, 2004, as restated	74,818,068	4,347,611	22,712,797	–	101,878,476
Net income for the year	–	–	12,662,569	–	12,662,569
Stock dividends (Note 13)	1,915,341	–	(1,915,341)	–	–
Cash dividends (Note 13)	–	–	(1,915,856)	–	(1,915,856)
	1,915,341	–	8,831,372	–	10,746,713
Balance at December 31, 2004	₱76,733,409	₱4,347,611	₱31,544,169	₱–	₱112,625,189

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱23,528,978**	₱20,373,582	₱19,485,581
Adjustments for:			
Interest income	**(52,581,132)**	(33,943,286)	(36,400,318)
Interest expense	**8,174,475**	1,000,030	150,625
Depreciation and amortization (Notes 7 and 8)	**2,745,345**	2,468,552	1,173,089
Provision for impairment and credit losses (Note 10)	**170,371**	1,168,642	1,411,203
Unrealized foreign exchange losses	**189,142**	222,531	–
Amortization of software cost (Note 9)	**150,000**	420,930	420,930
Gain on sale of:			
Investment properties	**(2,406,431)**	(743,411)	45,360
Property and equipment	**–**	(99,999)	(151,599)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables	**(69,666,900)**	(35,803,430)	(28,352,570)
Other assets	**123,484**	(1,817,109)	102,103
Increase (decrease) in:			
Accrued expenses	**581,512**	(1,040,734)	4,109,475
Accounts payable and other liabilities	**4,191,269**	3,000,888	47,071
Net cash used in operations	**(84,799,887)**	(44,792,814)	(37,959,050)
Interest received	**54,694,329**	34,152,024	34,200,195
Interest paid	**(7,452,531)**	(866,401)	(397,110)
Income taxes paid	**(1,385,861)**	(2,762,876)	(519,817)
Cash used in operating activities	**(38,943,950)**	(14,270,067)	(4,675,782)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties	**6,713,877**	111,666	–
Acquisitions of property and equipment	**(1,035,917)**	(5,696,598)	(3,354,254)
Purchase of notes receivable	**–**	(3,877,469)	–
Proceeds from sale of property and equipment	**–**	100,000	151,599
Net cash provided by (used in) investing activities	**5,677,960**	(9,362,401)	(3,202,655)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of notes payable	**90,100,389**	23,808,333	10,471,296
Payments of notes payable	**(48,471,869)**	–	–
Cash dividends paid (Note 13)	**(1,829,104)**	(2,124,733)	(1,915,856)
Net cash provided by financing activities	**39,799,416**	21,683,600	8,555,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,533,426**	(1,948,868)	677,003
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,291,906**	5,240,774	4,563,771
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱9,825,332**	₱3,291,906	₱5,240,774

See accompanying Notes to Financial Statements.

1. Corporate Information

Makati Finance Corporation (the Company) operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market. The Company's principal place of business is at the 2nd Floor, Makati Finance Centre, 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange on January 6, 2003 and is majority owned by Amalgamated Investment Bancorporation (AIB).

The accompanying financial statements of the Company were authorized for issue by the Board of Directors (BOD) and Audit Committee on April 20, 2007.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine pesos, the Company's functional currency.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except as follows:

Amendments to PFRS and Philippine Interpretation effective in 2006
The Company has adopted the following amendments to PFRS and Philippine Interpretation during the year. Adoption of these revised standards and interpretation did not have any significant effect on the Company except for the additional disclosures on the financial statements.

- Philippine Accounting Standard (PAS) 19 Amendment - *Employee Benefits*
- PAS 21 Amendment - *The Effect of Changes in Foreign Exchange Rates*
- PAS 39 Amendments - *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*

Philippine Interpretation early adopted
The Company has early adopted Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives.*

The principal effects of these changes, if any, follows:

PAS 19, *Employee Benefits*
Amendment for actuarial gains and losses, group plans and disclosures. As of January 1, 2006, the Company adopted the amendment to PAS 19. As a result, additional disclosures in the financial statements are made, starting in 2006, to provide information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has no recognition nor measurement impact, as the Company chose not to apply the new option offered to recognize actuarial gains and losses outside of the statement of income.

PAS 21, *The Effects of Changes in Foreign Exchange Rates*
Amendment for net investment in a foreign operation. As of January 1, 2006, the Company adopted the amendment to PAS 21. This amendment states that all exchange differences arising from a monetary item that forms part of an entity's net investment in a foreign operation are recognized in a separate component of equity in the financial statements regardless of the currency in which the monetary item is denominated. This change has no impact on the financial statements.

PAS 39, *Financial Instruments: Recognition and Measurement*
Amendment for financial guarantee contracts. This amended the scope of PAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, *Revenue*. This amendment has no impact on the financial statements.

Amendment for cash flow hedge accounting of forecast intra-group transactions. This amended PAS 39 to permit the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the statement of income. As the Company currently has no such transactions, the amendment has no impact on the financial statements.

Amendment for the fair value option. This amended PAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit or loss (FVPL). The amendment has no impact on the Company's financial statements.

Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease.* This Interpretation provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This Interpretation has no impact on the financial statements.

Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
This Interpretation becomes effective for financial years beginning on or after June 1, 2006. It establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Company assessed that adoption of this Interpretation has no impact on the financial statements.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
Unearned interest income are recognized as income over the terms of the receivable using the EIR. Interest income on nondiscounted receivables is accrued as earned likewise using EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Service charges
Service charges are recognized only upon collection or accrued when there is reasonable certainty as to its collectibility.

Future Changes in Accounting Policies
The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2006:

PFRS 7, *Financial Instruments: Disclosures*, and the complementary amendment to PAS 1, *Presentation of Financial Statements: Capital Disclosures* (effective for annual periods beginning on or after January 1, 2007)
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how the Company manages it. The Company is currently assessing the impact of PFRS 7 and the amendment to PAS 1 and expects that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by PFRS 7 and the amendment to PAS 1. The Company will apply PFRS 7 and the amendment to PAS 1 in 2007.

Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies* (effective for annual periods beginning on or after March 1, 2006)
This Interpretation provides guidance on how to apply PAS 29 when an economy first becomes hyperinflationary, in particular the accounting for deferred tax. The Interpretation has no impact on the Company's financial statements.

Philippine Interpretation IFRIC 8, *Scope of PFRS 2* (effective for annual periods beginning on or after May 1, 2006)
This Interpretation requires PFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The Interpretation has no impact on the Company's financial statements.

Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006)
This Interpretation prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. This Interpretation has no impact on the financial statements of the Company.

Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007)
This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent company. The Company currently does not have any stock option plan and therefore, does not expect this Interpretation to have an impact to the financial statements.

PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009)
This PFRS adopts a management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and companies will need to provide explanations and reconciliations of the differences. PFRS 8 will replace PAS 14, *Segment Reporting*. The Company will apply PFRS 8 in 2009 and expects that the adoption of this standard would not result in additional disclosures as the Company has no reportable segments.

Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008)
This Interpretation covers contractual arrangements arising from private entities providing public services and is not relevant to the Company's current operations.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term highly liquid instruments that are readily convertible to known amounts of cash with maturities of three months or less from the dates of placement which are subject to insignificant risk of changes in value.

Investments in Subsidiaries
Subsidiaries pertain to all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are carried at cost, less impairment in value, and are included in 'Other Assets'.

Impairment of investment in subsidiary
The Company reviews it investment in subsidiary for impairment. This includes considering certain indicators of impairment such as the following:

- significant underperformance relative to expected historical or projected operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business ; and
- significant negative industry or economic trends.

Financial Instruments
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs.

The Company classifies its financial assets in the following categories: Securities at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) investments. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date. As of December 31, 2006 and 2005, the Company has no securities at FVPL and HTM investments.

Determination of fair value
The fair value for financial instruments traded in active markets at balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the prices of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on valuation methodologies whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 profit) in the

statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit amount.

AFS investments
AFS investments are those nonderivative financial assets that are designated as such or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments pertains to golf club shares and are included in 'Other Assets'.

After initial measurement, AFS investments are measured at fair value. The unrealized gains or losses arising from the fair valuation of AFS investments are excluded from reported earnings and are reported as "Net unrealized loss on AFS investments" in the statement of changes in equity.

When the investment is disposed of, the cumulative gain or loss previously recognized in the statement of changes in equity is recognized in the statement of income. Interest earned on the AFS investment, is reported as interest income using the effective interest rate (EIR) method. Dividends earned are recognized in the statement of income when the Company's right to receive payment is established. The losses arising from impairment of such investments are recognized in the statement of income.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Company has no intention of trading.

Loans and receivables are stated at the outstanding balance, reduced by unearned discounts and capitalized interest on restructured loans and allowance for impairment and credit losses.

Receivables are classified as nonperforming or considered impaired when the principal is past due, or when, in the opinion of management, collection of interest and principal is doubtful. These receivables will not be reclassified as performing until interest and principal payments are brought current or the receivables are restructured and future payments appear assured. Receivables are considered past due when three installment payments are in arrears.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

Notes payable and other borrowed funds
Issued financial instruments or their components, which are not designated at FVPL, are classified as notes payable or other appropriate account titles for such borrowed funds, where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The

components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, notes payable and other borrowings are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of EIR.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when: (a) the rights to receive cash flows from the assets have expired; (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Company has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instrument

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
If there is objective evidence that a credit loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statements of income. Interest income continues to be accrued based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated credit loss decreases because of an event occurring after the impairment was recognized, the previously recognized credit loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the "Provision for Impairment and Credit Losses" in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a receivable has a variable interest rate, the discount rate for measuring any credit loss is the current effective interest rate, adjusted for the original credit risk premium.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

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

The initial cost of property and equipment consists of its purchase price, and any directly attributable costs to bring the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are