COVER SHEET

2 8 7 8 8
S.E.C. Registration Number

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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 ND 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)

MERLINDA V. CUNANAN
Contact Person

897-0749
Company Telephone Number

1 2 (Month) 3 1 (Day)
Fiscal Year
2010

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

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NOTICE OF THE 2010 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 **24 June 2010, Thursday, 5:00 p.m.**, at the Ascott Makati, 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 Stockholders' Meeting held on 4 June 2009
4. Presentation and Approval of the 2009 Annual Report and 2009 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Declaration of Dividends
7. Election of Directors
8. Appointment of Independent External Auditors
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 26 May 2010. 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 16 June 2010, 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 17 June 2010 at 10:30 a.m. at the principal office of the Corporation. No proxy is being solicited.

26 May 2010.

ATTY. D. ENRIQUE O. CO
Corporate Secretary

/ MFC-NS24JUN10 [CFA-LAW]

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) 890-06-21**

8. **June 24, 2010 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 26, 2010.

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	**191,862,405**

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

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 Special Stockholders' Meeting of the Company will be held on June 24, 2010, 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 26, 2010.

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 has any substantial interest, direct or indirect, in any matter to be acted upon in the Special 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 April 30, 2010 is 191,862,405 with a par value of P1 per share. Pursuant to Article III, 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.

Stockholders of record of the Company as of May 26, 2010 ("the Record Date") shall be entitled to notice of, and to vote at, the Special Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% AS OF APRIL 30, 2010)

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	137,050,821	71.43%
Common Shares	MF Pikeville Holdings/Pikeville Bancshares - 11/F Multinational Bancorporation Bldg. 6805 Ayala Avenue, Makati City (Stockholder)	Same	Filipino	13,617,635	7.10%
	TOTAL			150,668,456	78.53%

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT (AS OF APRIL 30, 2010)

Title of Class	Name of Beneficial Owner	Amount of Ownership	Nature of Ownership	Citizenship	Percentage Ownership
Common	Michael Wee Soon Lock	7,939,097	R	Singaporean	4.14%
Common	Rene B. Benitez	4,572,329	R	Filipino	2.38%
Common	Joel S. Ferrer	1,932,754	R	Filipino	1.01%
Common	Teresita B. Benitez	665,973	R	Filipino	0.35%
Common	Max O. Borromeo	947,197	R	Filipino	0.49%
Common	Isidro B. Benitez	242,944	R	Filipino	0.13%
Common	Juan Carlos del Rosario	29	R	Filipino	0.00%
Common	Francisco C. Eizmendi Jr.	15	R	Filipino	0.00%
Common	Eugenio E. Reyes	15	R	Filipino	0.00%
	All directors & officers as a group	16,300,353			8.50%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Juan Carlos del Rosario. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

No changes in control has occurred since the beginning of the last fiscal year.

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Rene B. Benitez, Chairman and Mr. Max O. Borromeo and Mr. Francisco Eizmendi, Jr. as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. This is in accordance with memorandum circular no. 16 of the Securities and Exchange Commission. The incumbent members of the Board of directors are expected to be nominated during the Stockholders' Meeting, for the term 2010 to 2011, with the addition of Mr. Jose V. Cruz, as follows:

1. Dr. Isidro B. Benitez
2. Mr. Juan Carlos del Rosario
3. Ms. Teresita B. Benitez
4. Mr. Max O. Borromeo
5. Mr. Rene B. Benitez
6. Mr. Joel S. Ferrer
7. Mr. Francisco Eizmendi Jr.
8. Atty. Eugene Reyes
9. Mr. Micheal Wee Soon Lock
10. Dr. Glenn B. benitez
11. 11. Mr. Jose V. Cruz

Pursuant to SRC Rule No. 38 on procedures or nomination and election of independent directors, Atty. Eugene Reyes and Mr. Francisco Eizmendi, Jr. have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Atty. Reyes and Mr. Eizmendi up to the fourth degree 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**, 83, 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. He is also a director of Dearborn Motors, Inc. and Vice Chairman of Amalgamated Investment Bancorporation.

Mr. Juan Carlos del Rosario, 60, 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 Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurances Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

***Ms. Teresita B. Benitez**, 75, 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**, 61, Filipino*, is the Company's Senior Managing Director/COO. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is concurrently President and a Director of Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc. He is also a Director in the following companies: 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**, 48, Filipino,* is the Company's Managing Director/VP. 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**, 56, 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. Francisco C. Eizmendi Jr.**,74, Filipino,* is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently a Director of RCBC Forex Brokers Corporation. Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

***Atty. Eugenio E. Reyes**, 73, 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**, 74, 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.

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Francisco C. Eizmendi Jr. and Atty. Eugenio E. Reyes were elected as the two (2) Independent Directors of the Company at the 2009 Annual Stockholders' Meeting.

SENIOR MANAGEMENT

Ms. Cynthia M. Gacayan – *Chief Operating Officer, 55, Filipino.* Cynthia was employed by the Company in 2007 as its new CFO and in June 2008 was designated as Chief Operating Officer. She was the CFO/Finance Group Head of Cintree Management Services, Inc. (managing arm for the PJ Lhuillier companies) for 2 years. For 10 years she served as the Senior Vice President of Finance and Administration of the Science Park of the Philippines, Inc. (1990 – 2001). She also served as a Director for the Kyudenko Needs Creator IT Company from 2002 to 2005. Subsequently she became the CFO of Cintree Management Services Inc. in 2005 to 2007. She graduated with a Bachelor of Science degree in Accounting from the University of San Carlos in 1975. She completed her master's degree in Business Management from the University of the Philippines in 1984 and finished the Top Management Program of Asian Institute of Management in 1997

Atty. Danilo Enrique O. Co*, Corporate Secretary and Legal Counsel, 41, Filipino.* Atty. Co has been serving the Corporation has its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer & Ang-Co Law Offices. He is also a Director and/or Corporate Secretary of several other Philippine corporations, including Western Roadhouse Foods, Inc., Amalgamated Investment Bancorporation, Cuervo Appraisers, Inc. and Kalayaan College. Atty. Co obtained his BS Business Administration (*cum laude*) and Law degrees from the University of the Philippines.

Mr. Albert J. Batacan*, Factoring Manager, MC Coordinator, 51, 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 and Dr. Glenn B. Benitez are their sons.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers was involved during the past five years up to April 30, 2010 in any bankruptcy proceedings up to April 30, 2010. 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

The following transactions have been entered into with related parties:

			Elements of Transactions			
	Nature of Related	Nature of	Balance Sheet Amount		Income Statement Amount	
Related party	Party Relationship	Transaction	**2009**	2008	**2009**	2008
AIB	Stockholder	Receivables	**₱ 101,007**	₱101,007	**₱**	₱
		Payables	**182,100,000**	119,300,000	**-**	-
		Car Lease Contract	**101,022**	224,772	**-**	-
		Interest Expense			**8,846,460**	10,332,861
Merg Realty and Development Corporation	Stockholder	Receivables	**-**	-		
		Payables	**500,000**	**1,500,000-**	**-**	-
		Rental			**591,360**	591,360
		Interest expense	**-**	-	**99,222**	51,945
Honda Motor World	Affiliates	Professional Fee	**-**	-	**1,440,000**	1,440,000
		Payables	**2,297,722**	**225,152-**	**-**	-
Others	Affiliates	Interest Expense		-	**-**	88,760
	Employees	Receivables	**2,318,016**	-	**-**	-
	Employees	Notes Payable	**1,000,000**			
	Directors	Professional fees	**2,325,424**	-	**-**	1,100,000
	Directors	Notes Payable	**1,057,034**	15,001,417	**-**	-
	Directors	Management Fees	**-**	-	**500,000**	720,000
Feliz Management	Affiliates	Professional Fee	**-**	-	**-**	945,012
Pikeville ancshares	Affiliates	Professional Fee	**-**	-	**868,000**	930,000
Merg Resources	Affiliates	Rent expense	**-**	-	**-**	200,000

A related party handles the Company's administrative functions and as such, the said related party pays the compensation of its key management personnel. Hence the disclosure of the key management personnel, as required by PAS 24, Related Party Disclosures, is included in the financial statements of that related party.

The remuneration of directors and other members of key management consist of short-term benefits amounting to₱4.36 million, ₱4.43 million and ₱4.18 million in 2009, 2008 and 2007, respectively, included in the Management and Professional Fees account in the statements of income.

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 200.9 million as of December 31, 2009. Outstanding obligations to certain stockholders as of March 31, 2010 amounted to P230.3 million.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY/MANAGEMENT FEE**	**BONUS**	**OTHER COMPENSATION**
2010 (Estimated)	Top 4 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	6,000,000	800,000	240,000
	ALL BOARD DIRECTORS AND	6,300,000	1,025,000	720,000

	OFFICERS AS A GROUP			
2009 (Actual)	Top 4 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO			
	TOTAL	6,000,000	800,000	240,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	6,300,000	1,025,000	720,000
2008 (Actual)	Top 4 Executive Officers: Max Borromeo-Senior Managing Director Teresita Benitez - President Rene B. Benitez - Managing Director Cynthia M. Gacayan – COO/CFO			
	TOTAL	4,868,000	981,000	180,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	5,048,000	981,000	640,000

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 Bancshares, 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 2009.
The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Ms. Janeth Nuñez, SGV partner, is the reviewer/auditor of the Company. It is expected that SGV&Co. will be reappointed as Company's external auditor for Year 2010.

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.

Audit Committee is comprise of the following – Atty. Eugenio E. Reyes, Chairman and Mr. Isidro B. Benitez, M.D., Mr. Joel S. Ferrer and Mr. Juan Carlos Del Rosario as members.

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 2006, the Board of Directors approved the following: 30% of the audited net income after tax of P 16,205,137 is P 4,861,541 of which 50% was declared cash dividends amounting to ₱2,430,831 and the balance thereof was declared as stock dividends amounting to ₱2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to P83,117,897 is ₱ 6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. Fractional shares related to this declaration amounted to ₱41 per share and was settled in cash. 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. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008. On the same date, the Board of Directors also approved the declaration of cash dividends amounting to P2,257,147. Fractional shares related to this declaration were settled in cash amounting to P35.
For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of P5,465,094 is P1,639,528, 50% of the amount, P819,716 was declared as stock dividend and the other 50%, P819,812 was declared as cash dividend. Fractional shares related to this declaration was settled in cash. Stock dividend 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 Annual Stockholders' Meeting held on 4 June 2009.
2. Approval of the 2009 Annual Report and the 2009 Audited Financial Statements

   A copy of the 2009 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2009 Annual Report will be presented during the Annual Stockholders' Meeting.

3. Declaration of Dividends

   The dividend policy dictates that 30% of 2009 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in June 24, 2010.

4. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers since the 2009 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. Approval of audited financial statements
b. Approval of Corporate budget
c. Approval of Amendment of the Articles of Incorporation to reflect a change in the Date of the Annual Stockholders' Meeting of the Corporation
d. Election of Directors/Officers/Committees
e. Approval of PSE Listing Agreement
f. Approval of credit facilities
g. Appointment of signatories to bank accounts
h. Approval of dividends
i. Approval of the minutes of the previous meetings
j. Execution of contracts and investments in the ordinary course of business

Upon prior written request, 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 at Co Ferrer & Ang-Co Law Offices at 11/F Atlanta Center, 31 Annapolis St., Greenhills, San Juan, Metro Manila at a mutually agreed time, during regular office hours.

5. Election of Directors

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

6. Appointment of External Auditor

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

AMENDMENT OF CHARTER, BY LAWS OR OTHER DOCUMENTS

There are no amendment of charter, by laws or other documents.

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 12, 2009. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before May 27, 2009 for inspection and recording shall be honored for purposes of voting.
b) For the 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

MERLINDA V. CUNANAN/Acctg. & Finance Manager
Signature and Title

Date: April 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2010

The Company intends to continue to ride in the growth of the Philippine motorcycle industry. Thus the 2010 plan of MFC in 2010 includes the expansion in various geographical reach of an additional of about 20 new trading areas staggered throughout the whole of 2010. Our other two products; Rx Cash Line and MFC Factors, are also expected to grow in the double digit range in 2010.

We shall continue to explore other financial products and we also continue to pursue our plan to expand into the savings bank sector. Meanwhile, our thrust is to pursue further growth in our motorcycle financing accounts. We will also maintain a strong quality portfolio in the doctor's loan market and our factoring accounts.

Lending Activities

Being its core business, the Company's thrust is into expanding and strengthening its foothold on its lending operations of niche markets and at the same time exploring with the intention of venturing into new niche markets that will guarantee sustained growth.

MFC positions itself as a player in serving the financing needs of the often neglected middle markets in the Philippines. Because of the vast experience it has gained, the Company's lending activities and loan products will continue to be focused on the niche consumer loan market and SME markets. MFC will also continue and raise the quality of service it provides to its clients. Its future plans and prospects include the following:

- Continue to ride on the projected double digit growth of the motorcycle industry as per Motorcycle Development Program Participant's Association.
- Continue partnerships with existing motorcycle dealers in their expansion and development of new branches in the southern area of Luzon.
- Increase the generation of fleet accounts in the field motorcycle financing either by Salary Deduction or Corporate installment plans.
- Implement the expansion of target markets to municipalities beyond Metro Manila
- Tailor fit and do full implementation of the integrated automated information system installed suited for the financial services of the company.
- Continuous growth in the portfolios of the Company's 3 main credit facilities (Factoring, Rx Cash Line and Motorcyle Financing)

Funds Generation

All these plans shall require sufficient funds generation. With plans of the Additional Public Offering (APO) still on hold, the Company is looking at other sources of funds. Aside from the P300 million facility with AIB and the P50 million term loan and P10 million BP facility with UCPB, the Company shall continue discussions with other banks to raise additional funds to finance its growth.

In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with SGV & Co. with regards to accounting policies and financial disclosures of the Company. Ms. Jessie Cabaluna, SGV Partner, has been the reviewer/auditor of the Company since year 2006, and not yet having completed the five-year cap requirement of SEC, has been replaced by Ms. Janeth Nuñez, SGV partner effective year 2009. The change in handling partner was part of SGV & Co.'s internal policy of account rotation. There was no disagreement with prior handling partner on accounting and financial disclosures. Ms. Janeth T. Nuñez replaced Ms. Jessie D. Cabaluna both partners of SGV & Co. for the year ended December 31, 2009.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has paid SGV & Co. P462 thousand and P462 thousand for the years 2009 and 2008 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.

Discussion of Past Financial Performance

As of December 31, 2009

Results of Operations

Net Income after tax for the year ending December 31, 2009, as reflected in the audited financial statements, was at P10.75 million. This is a 96.7% increase over the NIAT of 2008, or an increase of P5.28 million .

By April 2009, the Company had started to implement its geographical expansion plans for the Motorcycle Financing line. Over the year of 2009, MFC covered a total of nine (9) new trading areas established by our dealer partners. This resulted to a wider reach in the offer of our service, therefore higher loan releases and gradual rise in income generation.

Total operating income jumped from P46.78 million in 2008 to P64.53 million in 2009, a 37.8% increase from 2008 to 2009 performance. Although interest income generated from our Motorcyle Financing line in 2009 more than doubled with the geographic expansion, related expenses also grew. As in any expansion, there is first the need to invest in the hiring and training of new manpower complement, getting and stocking up on forms and office supplies, buying new office equipment and furniture which spiked up depreciation expenses and doing more extensive marketing and advertising campaigns. All these activities meant expenses incurred up front with little matching income. Total expenses in 2009 reached P48.38 million which is 22.7% higher than the P39.41 million expenses in 2008.

Financial Condition and Capital Resources

In 2009 total assets increased by P90.9 million as against that in 2008, from P363.7 million to P454.6 million which primarily due to the increase in our loan portfolio of our products being offered. There is also a noticeable increase in our notes payable by P55.6 million and other payables by P21.8 million as compared to that in 2008 which is still a result of our geographical expansion in our trading areas.

Interest Income

The interest income this year was up by 38% from interest income for the year 2008.

Net Interest Income

Interest expense did not vary that much. The Company's reduction in net interest income is attributable mainly with the increased in interest expense by only ₱.3million. The reduction in income is due to timing of loan releases primarily in the MC Financing product.

Other Income

Other income decreased by ₱ 5.2million or 44.8% from December 2008 due to Dividend income received from AIB in 2008..

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 120.1% from December 2008.

Net Income

The Company posted a net income of ₱ 10.75million compared to ₱ 5.46million in 2008 or an increase of 96.7%.

As of December 31, 2008

Results of Operations

Audited net income for the year ending December 31, 2008 was ₱ 5.47million. This is a decrease of ₱ 9.58million or 63.6% lower than the P15.05million net income of 2007.. Operating expense is at ₱ 39.44million as of year-end. This is an increase of 42.2% compared to last year's operating expenses of ₱ 27.73million. The increase in operating expenses is primarily a result from the clean-up of accounts triggered by the computerization program we started in 2008.

Financial Condition and Capital Resources

For the year ended December 2008, the company's total assets reached ₱ 363.73million. The increase in assets was 0.6% of the total assets as of December 31, 2007. Increase in the company's receivables amounted to 11.1% from December of last year. Increase in borrowings by ₱ 2.3million is mainly due to increased loan production. Motorcycle financing beefed up its loan portfolio for the year. Four investment properties were sold during the year. The ₱ 50million prepayment with Honda Motor World Incorporated has been used up in 2008. Increase in fixed assets are additional generally transportation equipments and leasehold improvements. Likewise, the Company acquired an automated financial infrastructure for implementation in 2009.

Interest Income

The interest income year was short by 8.4% from interest income for the year 2007.

Net Interest Income

Interest expense did not vary that much. The Company's reduction in net interest income is attributable mainly with the reduction in interest income by ₱ 4.3million. The reduction in income is due to timing of loan releases primarily in the MC Financing product and the effect on the granting of promo and discount on Interest rates in 2007 to cope with the tight competition in the market and which effect we are feeling now.

Other Income

Other income decreased by ₱ 0.8million or 6.8% from December 2007.

Income Before Income Tax

Due to the significant increase on operating expenses as mentioned above, income before income tax decreased by 69.4% from December 2007.

Net Income

The Company posted a net income of ₱ 5.47million compared to ₱ 15.05million in 2007 or a decrease of 63.6%.

As of December 31, 2007

Results of Operations

Audited net income for the year ending December 31, 2007 was ₱ 15.05million. This is a decrease of P1.15-million or 7% over the net income of 2006 amounting to ₱ 16.2million. Operating expenses of ₱ 27.7million as of year-end, this is an increase of 12.74% compared to last year's operating expenses of ₱24.6million.

Financial Condition and Capital Resources

For the year ended December 2007, the company's total assets reached ₱361.46 million. The increase in assets was 54.5% of the total assets as of December 31, 2006. Increase in the company's receivables amounted to 13.67% from December last year. Increase in borrowings, mainly due to increased loan production, amounted to ₱64.08million or 81.1%. Motorcycle financing and factoring beefed up the loan portfolio for the year. Three investment properties were sold during the year. There was also a ₱75million equity investment in Amalgamated Investment Bancorporation shares of stock that was purchased by Makati Finance Corporation and a ₱ 50million prepayment with Honda Motor World Incorporated.

Interest Income

The interest income for the first year was short by 1.46% from interest income for the year 2006.

Net Interest Income

Interest expense increased by ₱ 3.33million, made the Company's net interest income decrease by 9.43%. This was due to promo and discount on Interest rates made during the year to cope with the tight competition in the market

Net Interest Income After Provisions

Net interest income after provisions further decreased by 7.15% from December 2006.

Other Income

Other income increased by Php 7.54 mm or 156.77% from December 2006. The increase in other income mainly was the sale of investment properties and a recovery of charged off account amounting to Php1mm.

Income Before Income Tax

Due to the significant increase on other income as abovementioned, income before income tax increased by 1.38% from December 2006.

Net Income

The Company posted a net income of Php15.04mm compared to Php16.2mm in 2006 or a decrease of 7%.

KEY PERFORMANCE INDICATORS:

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

1. Asset Quality

MFC's asset quality improved in 2008 due to the sale of P2.5 Mn worth of non-performing assets on Investment Properties

2. Profitability

	12/31/09	12/31/08
Return on equity	5.20%	3.10%
EBIT Margin	41.17%	37.37%
Earnings per share	P0.06	P0.03

3. Liquidity

The ratio of liquid assets to total assets were 81.5% and 71.6% as of December 31, 2009 and 2008 respectively.

4. Cost Efficiency

The ratio of total operating expenses (excluding provision for losses) to the total operating income for December 31, 2009 and 2008 were 73.6% and 83.32%, respectively.

5. Capital Adequacy

The capital adequacy ratio of the Company covering credit risks as of December 31, 2009 and 2008 were 159.81% and 126.01%, 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, arrangement or obligation.

CAPITAL EXPENDITURES

The Company had started to implement in April 2009 the geographical expansion for the Motorcyle Financing line. This resulted to invest in buying new office equipments, furnitures and vehicles as service unit for the CSR.

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 2009 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 intends to continue to ride in the growth of the Philippine motorcycle industry. Thus the 2010 plan of MFC in 2010 includes the expansion in various geographical reach of an additional of about 20 new trading areas staggered throughout the whole of 2010. Our other two products; Rx Cash Line and MFC Factors, are also expected to grow in the double digit range in 2010.

We shall continue to explore other financial products and we also continue to pursue our plan to expand into the savings bank sector. Meanwhile, our thrust is to pursue further growth in our motorcycle financing accounts. We will also maintain a strong quality portfolio in the doctor's loan market and our factoring accounts.

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Being its core business, the Company's thrust is into expanding and strengthening its foothold on its lending operations of niche markets and at the same time exploring with the intention of venturing into new niche markets that will guarantee sustained growth.

MFC positions itself as a player in serving the financing needs of the often neglected middle markets in the Philippines. Because of the vast experience it has gained, the Company's lending activities and loan products will continue to be focused on the niche consumer loan market and SME markets. MFC will also continue and raise the quality of service it provides to its clients. Its future plans and prospects include the following:

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Funds Generation

All these plans shall require sufficient funds generation. With plans of the Additional Public Offering (APO) still on hold, the Company is looking at other sources of funds. Aside from the P300 million facility with AIB and the P50 million term loan and P10 million BP facility with UCPB, the Company shall continue discussions with other banks to raise additional funds to finance its growth.

In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

There are a total of 99 stockholders as of April 30, 2010.

HOLDERS OF COMMON STOCK As of April 30, 2010
TOP 20 Stockholders

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INV. BANCORP.	FIL	A	137,050,821	71.431827%
MF PIKEVILLE HOLDINGS INC.	FIL	A	13,617,635	7.097605%
MICHAEL WEE	FOR	A	7,939,097	4.137912%
BORROMEO BROS. ESTATE INC.	FIL	A	6,269,592	3.267754%
ERIC B. BENITEZ	FIL	A	5,350,773	2.788860%
MELLISSA B. LIMCAOCO	FIL	A	4,802,330	2.503007%
RENE B. BENITEZ	FIL	A	4,572,329	2.383129%
GLEN B. BENITEZ	FIL	A	4,572,329	2.383129%
JOEL FERRER	FIL	A	1,932,754	1.007365%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	947,197	0.493686%
TERESITA B. BENITEZ	FIL	A	665,973	0.347110%
PCD NOMINEE CORPORATION	FIL	A	577,509	0.301002%
MERG REALTY DEVELOPMENT	FIL	A	331,526	0.172794%
FLB DEVELOPMENT CORPORATION	FIL	A	262,457	0.136794%
ISIDRO B. BENITEZ	FIL	A	242,944	0.126624%
SOFIA LIMJAP	FIL	A	236,863	0.123455%
MELLISSA B. LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	A	228,596	0.119146%
RENE BENITEZ ITF LORENZO L. BENITEZ	FIL	A	228,596	0.119146%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	228,596	0.119146%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	228,596	0.119146%
SUB-TOTAL			**190,286,513**	**99.178634%**
OTHER STOCKHOLDERS (79)			1,575,892	0.821366%
GRAND TOTAL (99 stockholders)			**191,862,405**	**100.00%**

MARKET SHARE INFORMATION

The Company was listed in the Philippine Stock Exchange on January 6, 2003.

On January 6, 2003 with authorized capital stock of ₱90 million, a total of 19.56 million shares of stock were offered to the general public in the company's Initial Public Offering (IPO). On November 6, 2007, the Board of Directors and Stockholders approved the increase in the Company's authorized capital stock to ₱300 million. On March 27, 2008, the Securities and Exchange Commission approved the Company's application for a follow-on offering to the general public of 75,500,000 new common shares and 7,598,892 secondary shares. Although an approval has been sought, the Company has put this approval on hold.

According to the Philippine Stock Exchange Website, latest available price information on Makati Finance's stock price is P2.00 per share as of December 24, 2008. The Company has not gone into a business combination nor any reorganization for the year 2009.

Philippine Stock Exchange Market prices for the last three years were as follows:

Quarter Ending	Market Prices	
	High	Low
May 14, 2010	₱ 1.12	₱1.12

March 2010	1.38	1.38
December 2009	1.44	1.44
September 2009	1.44	1.44
June 2009	2.00	2.00
April 2009	1.72	1.72
March, 2009	1.22	1.20
Dec. 24, 2008	2.00	2.00
Oct. 2, 2008	2.02	2.02
June 30, 2008	6.00	5.40
Arpril 01, 2008	3.70	3.70
June, 2007	1.94	1.94
March, 2007	1.94	1.94

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. To date, the Board of Directors has not proposed declaration of dividend of the Company's net earnings for year 2009

There is no restriction that Limit the Payment of Dividend Common Shares.

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. Albert J. Batacan 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 at and for each of the three years in the period ended December 31, 2009. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards 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 date (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 & Co., the independent auditors appointed by the Board of Directors and Stockholders, have audited the financial statements of the company in accordance with Philippine Standards on Auditing 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.

DR. ISIDRO B. BENITEZ	**TERESITA B. BENITEZ**	**CYNTHIA M. GACAYAN**
Chairman	President	COO/CFO

Personally came and appear before on this _____ day of _________ 2010, at Makati City, Dr. Isidro Benitez, Ms. Teresita Benitez and Ms. Cynthia Gacayan with community Tax Certificate Nos.28584257;28584258; and12227197 issued on Jan. 18, Jan. 18 , & Jan. 14 of 2010 respectively at Makati City 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.

Doc No. 270;

Page No. 65;

Book No. XI;

SERIES OF 2010

SIGNATURES

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

By:

DR. ISIDRO B. BENITEZ
Chairman

TERESITA B. BENITEZ
President

CYNTHIA M. GACAYAN
COO/CFO

Subscribed and sworn before me this ______ day of ________, affiant (s) exhibiting to me his/her Residence Certificate as follows:

NAME	RES. CERT. NO.	DATE	PLACE OF ISSUE
DR. ISIDRO B. BENITEZ	28584257	1/18/10	MAKATI
MS. TERESITA B. BENITEZ	28584258	1/18/10	MAKATI
MS. CYNTHIA GACAYAN	12227197	1/14/10	MAKATI

Doc No. 321;
Page No. 66;
Book No. XI;
SERIES OF 2010

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANNEX A

Makati Finance Corporation

Financial Statements
December 31, 2009 and 2008
and Years ended December 31, 2009, 2008 and 2007

and

ɔdependent Auditors' Report

SyCip Gorres Velayo & Co.

COVER SHEET

2 8 7 8 8

SEC 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 r e ,
7 8 2 3 M a k a t i A v e n u e , M a k a t i C i t y

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

Ms. Cynthia M. Gacayan
(Contact Person)

896-0221/897-0749
(Company Telephone Number)

1 2 | 3 1
Month *Day*
(Fiscal Year)

A A F S
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

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 ID

Cashier

STAMPS

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SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone (632) 891 [illegible]
Fax (632) 819 [illegible]
www.sgv.com.ph

BOA/PRC Reg. No. [illegible]
SEC Accreditation No. 0012-FR-[illegible]

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, 2009 and 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2009, 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, 2009 and 2008, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A
Tax Identification No. 900-322-673
PTR No. 2087557, January 4, 2010, Makati City

March 24, 2010

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
Phone
www.sgv.com.ph
BOA/PRC Reg. No.
SEC Accreditation No.

INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN

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

We have audited the financial statements of Makati Finance Corporation for the year ended December 31, 2009, on which we have rendered the attached report dated March 24, 2010.

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid or accrued by the above Company for the year ended December 31, 2009 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez
Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A
Tax Identification No. 900-322-673
PTR No. 2087557, January 4, 2010, Makati City

March 24, 2010

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone (632) 891 0307
Fax (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the Company) as of December 31, 2009 and 2008 and for each of the three years ended December 31, 2009, included in this Form 17-A and have issued our report thereon dated March 24, 2010. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and SEC Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A
Tax Identification No. 900-322-673
PTR No. 2087557, January 4, 2010, Makati City

March 24, 2010

MAKATI FINANCE CORPORATION
BALANCE SHEETS

	December 31	
	2009	2008
ASSETS		
Cash on Hand and in Banks (Note 7)	**₱15,696,778**	₱13,076,638
Loans and Other Receivables (Notes 8 and 21)	**339,954,337**	247,354,770
Available-for-Sale Financial Assets (Note 9)	**75,150,000**	75,150,000
Investment Properties (Note 10)	**7,812,512**	8,150,128
Investment in Subsidiaries (Note 11)	**100,000**	100,000
Property and Equipment (Note 12)	**7,162,370**	11,407,807
Deferred Tax Assets (Note 19)	**2,059,825**	4,853,595
Other Assets (Note 13)	**6,697,239**	3,637,447
	₱454,633,061	₱363,730,385
LIABILITIES AND EQUITY		
Liabilities		
Notes payable (Notes 15 and 21)	**₱200,897,948**	₱145,325,925
Accounts and other payables (Notes 16 and 21)	**30,837,597**	8,993,434
Income tax payable	**2,602,081**	–
Accrued expenses	**6,621,739**	5,689,119
Pension liability (Note 20)	**949,867**	926,784
	241,909,232	160,935,262
Equity (Note 18)		
Capital stock - ₱1 par value		
Authorized - 300,000,000 shares in 2009 and 2008		
Issued and outstanding - 191,862,405 shares in 2009 and 191,042,689 shares in 2008	**191,862,405**	191,042,689
Additional paid-in capital	**5,803,922**	5,803,922
Retained earnings	**15,157,502**	6,048,512
Net unrealized loss on available-for-sale investments (Note 9)	**(100,000)**	(100,000)
	212,723,829	202,795,123
	₱454,633,061	₱363,730,385

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2009	2008	2007
INTEREST INCOME (Notes 7, 8 and 21)	**₱69,866,624**	₱47,365,319	₱52,515,923
INTEREST EXPENSE (Notes 15 and 21)	**11,685,638**	11,320,848	11,504,977
NET INTEREST INCOME	**58,180,986**	36,044,471	41,010,946
OTHER INCOME			
Service charges	**5,022,798**	2,575,699	5,847,934
Dividends (Note 9)	**7,300**	5,363,528	–
Gain on sale of:			
Investment properties	–	887,706	2,101,609
Property and equipment	–	78,432	8,996
Reversal of allowance for impairment losses (Note 14)	–	1,414,459	–
Recovery on assets charged off	–		1,000,000
Unrealized foreign exchange gains	–		164,531
Miscellaneous (Note 26)	**1,322,804**	414,023	1,566,801
TOTAL OTHER INCOME	**6,352,902**	10,733,847	10,689,871
TOTAL OPERATING INCOME	**64,533,888**	46,778,318	51,700,817
OPERATING EXPENSES			
Salaries and employee benefits (Notes 20 and 21)	**12,098,805**	8,034,511	5,017,313
Management and professional fees (Note 21)	**7,154,990**	12,456,425	8,122,419
Provision for impairment losses (Note 14)	**5,496,471**	464,243	1,099,083
Taxes and licenses	**4,437,722**	3,051,896	3,895,296
Depreciation and amortization (Notes 10 and 12)	**3,896,588**	2,167,863	2,426,694
Commissions	**2,996,692**	865,645	1,073,233
Travel and transportation	**1,711,552**	524,754	1,077,363
Entertainment, amusement and recreation (Note 19)	**1,583,632**	325,067	295,305
Rent (Notes 21 and 25)	**769,412**	1,160,586	958,674
Amortization of software costs (Note 13)	**464,490**	250,775	150,000
Unrealized foreign exchange losses	–		63,596
Litigation/asset acquired expenses			43,130
Miscellaneous (Note 23)	**7,772,583**	10,140,073	3,502,955
TOTAL OPERATING EXPENSES	**48,382,937**	39,441,838	27,725,061
INCOME BEFORE INCOME TAX	**16,150,951**	7,336,480	23,975,756
PROVISION FOR INCOME TAX (Note 19)	**5,402,433**	1,871,386	8,928,107
NET INCOME	**10,748,518**	5,465,094	15,047,649
OTHER COMPREHENSIVE INCOME (LOSS)			
Net unrealized gain (loss) on available-for-sale investments (Note 9)	–	(10,000)	20,000
TOTAL COMPREHENSIVE INCOME	**₱10,748,518**	₱5,455,094	₱15,067,649
Basic/Diluted Earnings Per Share (Note 22)	**₱0.06**	₱0.03	₱0.16

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-In Capital	Deposits for Future Stock Subscription (Note 18)	Retained Earnings (Note 18)	Net Unrealized Gain (Loss) on Available For Sale Investments (Note 9)	Total Equity
Balance at January 1, 2009	**₱191,042,689**	**₱5,803,922**	**₱–**	**₱6,048,512**	**(₱100,000)**	**₱202,795,123**
Stock dividends	**819,716**	–	–	**(819,716)**	–	–
Cash dividends	–	–	–	**(819,812)**	–	**(819,812)**
Total comprehensive income for the year	–	–	–	**10,748,518**	–	**10,748,518**
Balance at December 31, 2009	**₱191,862,405**	**₱5,803,922**	**₱–**	**₱15,157,502**	**(₱100,000)**	**₱212,723,829**
Balance at January 1, 2008	₱89,999,959	₱4,347,611	₱50,000,000	₱55,339,600	(₱90,000)	₱199,597,170
Stock dividends	52,499,041	–	–	(52,499,041)		
Cash dividends	–	–	–	(2,257,141)		(2,257,141)
Issuance of shares of stock	48,543,689	1,456,311	(50,000,000)	–	–	
Total comprehensive income for the year	–	–	–	5,465,094	(10,000)	5,455,094
Balance at December 31, 2008	₱191,042,689	₱5,803,922	₱–	₱6,048,512	(₱100,000)	₱202,795,123
Balance at January 1, 2007	₱80,687,187	₱4,347,611	₱–	₱52,035,595	(₱110,000)	₱136,960,393
Stock dividends	9,312,772	–		(9,312,772)	–	–
Cash dividends		–	–	(2,430,872)	–	(2,430,872)
Deposits for future stock subscription	–		50,000,000			50,000,000
Total comprehensive income for the year	–	–	–	15,047,649	20,000	15,067,649
Balance at December 31, 2007	₱89,999,959	₱4,347,611	₱50,000,000	₱55,339,600	(₱90,000)	₱199,597,170

See accompanying Notes to Financial Statements

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱16,150,951**	₱7,336,480	₱23,975,756
Adjustments for:			
Provision for impairment and credit losses (Note 14)	**5,496,471**	464,243	1,099,083
Depreciation and amortization (Notes 10 and 12)	**3,896,588**	2,167,863	2,426,694
Amortization of software costs (Note 13)	**464,490**	250,775	150,000
Reversal of allowance for impairment losses (Note 14)	–	(1,414,459)	–
Net unrealized foreign exchange gains	–	–	(100,935)
Gain on sale of:			
Investment properties	–	(887,706)	(2,101,609)
Property and equipment	–	(78,432)	(8,996)
Dividend income (Note 9)	**(7,300)**	(5,363,528)	–
Operating income before changes in working capital	**26,001,200**	2,475,236	25,439,993
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and other receivables	**(98,096,038)**	(25,274,058)	(27,259,867)
Other assets	**(1,234,812)**	36,303,251	(35,649,402)
Increase (decrease) in:			
Accounts and other payables	**21,867,246**	3,951,026	(2,579,274)
Accrued expenses	**932,620**	530,387	1,082,507
Net cash generated from (used in) operations	**(50,529,784)**	17,985,842	(38,966,043)
Income taxes paid	**(6,582)**	(11,297,658)	(6,478,613)
Net cash provided by (used in) operating activities	**(50,536,366)**	6,688,184	(45,444,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties	–	4,554,099	4,510,000
Property and equipment	–	2,304,529	719,999
Acquisition of available-for-sale financial assets (Note 9)	–	–	(75,000,000)
Acquisitions of property and equipment (Note 12)	**(1,603,005)**	(11,970,437)	(175,000)
Cash dividends received	**7,300**	5,363,528	–
Net cash provided by (used in) investing activities	**(1,595,705)**	251,719	(69,945,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of notes payable	**84,525,545**	43,634,456	132,182,087
Payments of notes payable	**(28,953,522)**	(41,327,470)	(68,100,000)
Deposits for future stock subscription (Note 18)	–	–	50,000,000
Cash dividends paid (Note 18)	**(819,812)**	(2,257,141)	(2,430,872)
Net cash provided by financing activities	**54,752,211**	49,845	111,651,215

(Forward)

	Years Ended December 31		
	2009	2008	2007
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	₱2,620,140	₱6,989,748	(₱3,738,442)
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	13,076,638	6,086,890	9,825,332
CASH ON HAND AND IN BANKS AT END OF YEAR	₱15,696,778	₱13,076,638	₱6,086,890

OPERATIONAL CASH FLOWS FROM INTEREST

	Years Ended December 31		
	2009	2008	2007
Interest income received	₱66,241,890	₱46,250,481	₱52,021,709
Interest expense paid	9,970,061	11,452,478	10,404,739

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. General Information

Makati Finance Corporation (the Company) was incorporated on February 17, 1966. 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 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 endorsed for approval by the Audit Committee on March 24, 2010 and authorized for issue by the Board of Directors (BOD) on March 24, 2010.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso, 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 Company adopted in 2009 the new and amended standards and interpretations enumerated below. Except as otherwise indicated, these changes in accounting policies did not have any significant impact on the Company's financial statements.

New Standards

Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in a single statement, or in two-linked statements. The Company has elected to present one single statement.

PFRS 8, *Operating Segments*
PFRS 8 replaced PAS 14, *Segment Reporting*, upon its effectivity date. The Company concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 disclosures are shown in Note 6, including the related revised comparative information.

Amendments to Standards

PFRS 7 Amendments - *Improving Disclosures about Financial Instruments*
The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments and are presented in Notes 4 and 5, respectively.

The issuance of and amendments to the following PAS and Philippine Interpretations did not have any significant impact on the accounting policies, financial position or performance of the Company:

- PAS 23, *Borrowing Costs* (Revised)
- PAS 32 and PAS 1 Amendments, *Puttable Financial Instruments and Obligations Arising on Liquidation*
- PFRS 1 and PAS 27 Amendments, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- PFRS 2 Amendment, *Vesting Conditions and Cancellations*
- Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments, *Embedded Derivatives*

Improvements to PFRS 2008 and 2009

The omnibus amendments to PFRS issued in 2008 and 2009 were issued primarily with a view to remove inconsistencies and clarify wordings. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Company.

PAS 18 *Revenue,* the amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition policy has been updated accordingly.

Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

The Company recognizes financial assets or financial liabilities in the balance sheet when it becomes a party to the contractual provisions of the instrument. 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 measured at fair value through profit or loss (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 AFS investments. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized 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, re-evaluates such designation at every balance sheet date.

The Company's financial assets and liabilities are of the nature of loans and receivables and AFS investments, and other financial liabilities, respectively.

Determination of fair value

The fair value for financial instruments traded in active markets at the 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 ask prices are not available, the price 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, and other relevant valuation models.

Day 1 difference
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 markets, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the statement of comprehensive income when it qualifies for recognition or some other type of asset. 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 comprehensive 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 difference amount.

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. This accounting policy relates to balance sheet captions, "Cash on hand and in banks" and "Loans and other receivables".

After initial measurement, loans and receivables are carried at amortized cost using the effective interest (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the statement of comprehensive income.

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

Loans and 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 30.00% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

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 pertain to golf club shares and an investment in an affiliated company.

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 gain/loss on AFS investments" in other comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the statement of comprehensive income. Interest earned on the AFS investment, is reported as interest income using the EIR method. Dividends earned are recognized in the statement of comprehensive 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 comprehensive income.

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.

Other financial liabilities
Other financial liabilities are financial liabilities not designated as at FVPL 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the 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 comprehensive income.

Offsetting Financial Instruments
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 a 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 on loans and receivables 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 statement of comprehensive 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 for impairment losses. If a future write-off is later recovered, any amounts formerly charged are credited to the "Provision for impairment and credit losses" account in the statement of comprehensive 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 EIR, 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.

AFS financial assets
In the case of equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss - is removed from equity and recognized in other comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in the statement of comprehensive income.

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 Company's investment in subsidiaries are carried at cost less allowance for impairment losses.

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 retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected as income or loss in the statement of comprehensive income.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	3-5 years
Leasehold rights and improvements	10 years or over the period of the lease, whichever is shorter
Transportation equipment	3-5 years

The useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. See policy on impairment of property and equipment, investment properties and other assets

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment

property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value.

Foreclosed properties are classified under investment properties at foreclosure date.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Amortization of buildings and improvements is calculated on a straight-line basis over the estimated useful life of 15 years from the time of acquisition of the investment property.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in the statement of comprehensive income in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Motorcycle Inventories

The Company forecloses the chattel mortgages attached to the loans pertaining to the MC Financing upon defaults. The Company recognizes motorcycle inventories at their net realizable value on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

Software Costs

Software costs, included under "Other Assets" account in the balance sheet, include costs incurred relative to the development of the Company's software. Software costs are amortized over three to five years on a straight-line basis from the date of its available for use.

Impairment of Property and Equipment, Investment Properties and Other Assets

At each balance sheet date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Unearned interest income is recognized as income over the terms of the receivable using the effective interest rate (EIR) method. 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 collectability.

Dividend income

Dividend income is recognized when the Company's right to receive the payment is established.

Foreign Currency Transactions and Translation

Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing Philippine Dealing and Exchange Corp (PDex), formerly Philippine Dealing System, at the balance sheet date while foreign currency-denominated income and expenses are translated into their Philippine pesos equivalent based on the weighted average rate at transaction dates. Exchange gains or losses arising from foreign currency-denominated transactions and restatements of foreign currency-denominated assets and liabilities are credited to or charged against current operations.

Income Taxes
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to other comprehensive income items recognized directly in the statement of comprehensive income.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed as at balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are recognized in the statement of comprehensive income and not in the statement of income.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above; and at the date of renewal or extension period for scenario (b).

Company as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurrent. Borrowing costs consist of interest and other costs that the Company incurs in connection with borrowing of funds.

Retirement Cost
The Company has a funded, noncontributory defined benefit retirement plan, administered by trustees, covering their permanent employees.

The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10.00% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working life of the employees participating in the plan.

Past-service costs are recognized immediately in the statement of comprehensive income, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have dilutive potential common shares.

Events after Balance Sheet Date
Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

Future Changes in Accounting Policies
The Company will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

New Standards and Interpretations

PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended)
The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with few exceptions.

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

Amendments to Standards

PAS 39 Amendment, *Eligible Hedged Items*
The amendment to PAS 39, *Financial Instruments: Recognition and Measurement,* effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

PFRS 2 Amendments, *Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to PFRS 2009
The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods financial years January 1, 2010 except as otherwise stated. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- PFRS 2, *Share-based Payment,* clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3 (Revised). The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*, clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Amendment to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Amendment to Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgments

(a) Fair values of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation (see Note 4).

(b) Operating lease commitments
The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 25).

Estimates

(a) Impairment of unquoted AFS equity investment
The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20.00% or more and 'prolonged' as longer than 6 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The carrying values of the unquoted AFS equity investment of the Company amounted to ₱75.15 million as of December 31, 2009 and 2008 (see Note 9).

(b) Impairment losses of loans and other receivables
The Company maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables carrying balance and the computed present value. Factors considered in an individual assessment are payment history, past due status and term. The collective assessment would require the Company to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. 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 the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. The carrying value of loans and other receivables amounted to ₱339.95 million and ₱247.35 million as of December 31, 2009 and 2008, respectively (see Note 8).

(c) *Impairment of nonfinancial assets*
Property and equipment and investment properties
The Company assesses impairment on its property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future 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.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment and investment properties amounted to ₱7.16 million and ₱7.81 million, respectively, as of December 31, 2009 and ₱11.41 million and ₱8.15 million, respectively, as of December 31, 2008 (see Notes 10 and 12).

(d) *Recognition of deferred tax assets*
The Company reviews the carrying amounts of deferred taxes at each balance sheet date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The Company recognized deferred tax assets amounting to ₱2.06 million and ₱4.85 million as of December 31, 2009 and 2008, respectively (see Note 19).

(e) *Present value of retirement obligation*
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. As of December 31, 2009 and 2008, the present value of the retirement obligation amounted to ₱1.85 million and ₱1.10 million, respectively (see Note 20).

(f) *Estimating useful lives of property and equipment and investment properties*
The Company estimates the useful lives of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

4. Fair Value Measurement

The following table presents a comparison of the carrying amounts and fair values of financial assets and financial liabilities on the balance sheets of the Company as of December 31:

	Carrying Value		Fair Value	
	2009	2008	**2009**	2008
Financial Assets				
Cash on hand and in banks	**₱15,696,778**	₱13,076,638	**₱15,696,778**	₱13,076,638
Loans and other receivables				
Receivable from customers:				
Consumer	**178,388,937**	55,543,321	**178,388,937**	55,543,321
Services	**117,181,616**	99,663,980	**117,181,616**	99,663,980
Manufacturing	**24,286,399**	25,743,995	**24,286,399**	25,743,995
Construction	**13,989,820**	47,023,160	**13,989,820**	47,023,160
Small businesses/ entrepreneurs	**–**	8,743,637	**–**	8,743,637
Other receivables	**6,107,564**	10,414,324	**6,107,564**	10,414,324
Notes receivable	**–**	222,353	**–**	222,353
AFS financial assets	**75,150,000**	75,150,000	**75,150,000**	75,150,000
Financial Liabilities				
Notes payable	**200,897,948**	145,325,925	**200,897,948**	145,325,925
Accrued expenses	**6,621,739**	5,689,119	**6,621,739**	5,689,119
Accounts and other payables				
Payable to suppliers	**25,697,573**	5,198,722	**25,697,573**	5,198,722

The Company does not have instruments carried at fair value through profit or loss in 2009 and 2008. The methods and assumptions used by the Company in estimating the fair value of financial instruments follow:

Cash on hand and in banks
Carrying amounts appropriate fair values due to the relatively short-term maturities of these financial assets.

Loans and other receivables
Carrying amounts approximate fair values as there is no change in the market interest rates from grant date.

AFS investments
AFS quoted equity shares - Fair values are based on quoted prices published in markets.

AFS unquoted shares - Unquoted equity shares where the fair value is not reasonably determinable due the unpredictable nature of future cash flows and the lack of a suitable method of arriving at a reliable fair value, are carried at cost.

Liabilities
The carrying amounts of accrued expenses, accounts and other payables and notes payable approximate fair values due to their short-term maturities.

5. Financial Risk Management Objectives and Policies

Financial Risk
The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk and concentration of assets and liabilities
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Company obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown before the effect of mitigation through the use of master netting arrangements or collateral agreements and except for cash in banks.

	2009	2008
Cash in banks (Note 7)	**₱12,901,462**	₱12,319,688
Loans and other receivables (see Note 8)		
Receivable from customers:		
Consumer	**178,388,937**	83,113,442
Services	**117,181,616**	148,249,756
Manufacturing	**24,286,399**	33,323,361
Construction	**13,989,820**	66,875,943
Small businesses/entrepreneurs	**–**	8,743,637
Other receivables	**6,107,564**	10,414,324
Notes receivable	**–**	222,353
	475,280,904	350,942,816
Unearned interest income	**(103,091,859)**	(52,964,447)
Client's equity	**(32,234,708)**	(50,623,599)
	339,954,337	247,354,770
AFS financial assets (see Note 9)	**75,150,000**	75,150,000
Total credit risk exposure	**₱415,104,337**	₱322,504,770

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example for this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motor itself as collateral in case the borrower defaults on its loan.

The table below shows a comparison of the credit quality of the Company's loans and receivables (gross of unearned interest income, client's equity and allowance for impairment losses) that are neither past due nor impaired as of December 31:

2009

	Neither past due nor impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past due but not impaired**	**Impaired**	**Total**
Loans and other receivables						
Receivable from customers:						
Consumer	**₱262,529,635**	**₱–**	**₱–**	**₱2,560,732**	**₱–**	**₱265,090,367**
Services	**157,044,182**	**664,415**	**–**	**916,375**	**–**	**158,624,972**
Manufacturing	**5,070,258**	**493,493**	**–**	**–**	**20,848,307**	**26,412,058**
Construction	**19,985,458**	**–**	**–**	**–**	**–**	**19,985,458**
Small businesses/ entrepreneurs	**–**	**–**	**–**	**–**	**–**	**–**
Other receivables	**6,107,564**	**–**	**–**	**–**	**–**	**6,107,564**
Notes receivable	**–**	**–**	**–**	**–**	**–**	**–**
	₱450,737,097	**₱1,157,908**	**₱–**	**₱3,477,107**	**₱20,848,307**	**₱476,220,419**

2008

	Neither past due nor impaired					
	High Grade	Medium Grade	Low Grade	Past due but not impaired	Impaired	Total
Loans and other receivables						
Receivable from customers:						
Services	₱54,091,330	₱46,384,781	₱30,961,496	₱16,812,149	₱4,741,307	₱152,991,063
Consumer	82,421,976	691,466	–	–	419,888	83,533,330
Construction	–	–	66,875,943	–	–	66,875,943
Manufacturing	12,537,834	–	–	20,785,527	3,668,549	36,991,910
Small businesses/ entrepreneurs	3,898,702	670,868	163,270	4,010,797	4,010,796	12,754,433
Other receivables	10,414,324	–	–	–	119,459	10,533,783
Notes receivable	222,353	–	–	–	–	222,353
	₱163,586,519	₱47,747,115	₱98,000,709	₱41,608,473	₱12,959,999	₱363,902,815

The credit quality of loans and receivables was determined as follows:

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.

The analysis of loans and other receivables that were past due but not impaired follows:

	December 31, 2009					
Receivable from customers	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	**₱1,278,601**	**₱401,734**	**₱164,774**	**₱362,019**	**₱353,604**	**₱2,560,732**
Services	**418,939**	**180,869**	**101,204**	**215,363**	–	**916,375**
Manufacturing	–	–	–	–	–	–
Construction	–	–	–	–	–	–
Small businesses/ entrepreneurs	–	–	–	–	–	–
Other receivables	–	–	–	–	–	–
Notes receivable	–	–	–	–	–	–
	₱1,697,540	**₱582,603**	**₱265,978**	**₱577,382**	**₱353,604**	**₱3,477,107**

	December 31, 2009					
Receivable from customers	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Services	₱5,809,881	₱–	₱5,858,575	₱–	₱5,143,693	₱16,812,149
Consumer	–	–	–	–	–	–
Construction	–	–	–	–	–	–
Manufacturing	181,560	332,200	306,000	1,303,738	18,662,029	20,785,527
Small businesses/ Entrepreneurs	–	–	–	–	4,010,797	4,010,797
Other receivables	–	–	–	–	–	–
Notes receivable	–	–	–	–	–	–
	₱5,991,441	₱332,200	₱6,164,575	₱1,303,738	₱27,816,519	₱41,608,473

Liquidity risk

The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Company maintains a level of cash on hand and in banks deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the maturity profile of the Company's financial assets and liabilities as of December 31, 2009 and financial liabilities as of December 31, 2008 based on undiscounted contractual payments.

	2009				
	< 1 year	**1 to < 2 years**	**2 to < 3 years**	**3 to < 5 years**	**Total**
Financial assets					
Cash on hand and in banks	**₱15,696,778**	**₱–**	**₱–**	**₱–**	**₱15,696,778**
Loans and other receivables					
Receivable from customers:					
Consumer	**87,064,212**	**87,476,146**	**90,550,009**	–	**265,090,367**
Services	**607,226**	**83,421,865**	**53,547,109**	**21,048,772**	**158,624,972**
Manufacturing	**4,041,704**	**5,070,258**	**17,300,096**	–	**26,412,058**
Construction	**3,397,206**	**8,186,444**	**8,401,808**	–	**19,985,458**
Small businesses/ entrepreneurs	–	–	–	–	–
Other receivables	**184,373**	**5,923,191**	–	–	**6,107,564**
Notes receivable	–	–	–	–	–
	₱110,991,499	**₱190,077,904**	**₱169,799,022**	**₱21,048,772**	**₱491,917,197**
Financial liabilities					
Notes payable	**₱204,651,617**	**₱–**	**₱–**	**₱–**	**₱204,651,617**
Accrued expenses	**6,621,739**	–	–	–	**6,621,739**
Accounts and other payables					
Payable to suppliers	**25,697,573**	–	–	–	**25,697,573**
	₱236,970,929	**₱–**	**₱–**	**₱–**	**₱236,970,929**

	2008				
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 5 years	Total
Financial liabilities					
Notes payable	₱147,476,902	₱–	₱–	₱–	₱147,476,902
Accrued expenses	5,689,119	–	–	–	5,689,119
Accounts and other payables					
Payable to suppliers	5,198,722	–	–	–	5,198,722
	₱158,364,743	₱–	₱–	₱–	₱158,364,743

Interest rate risk

The profitability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loan operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates reflect the prevailing market interest rates. The rates are benchmarked against the applicable treasury bills and MART rate for most of the peso-denominated investments.

The following table demonstrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates as of December 31, 2009 and 2008, with all variables held constant.

Notes payable

	Effect on profit before tax Change in basis points	
	+100 basis points	**-100 basis points**
December 31, 2009	**(₱2,008,979)**	**₱2,008,979**
December 31, 2008	(1,453,259)	1,453,259

There is no other impact on the Company's equity other than those already affecting the net income. The interest rates on notes payable are subject to repricing ranging from 30 to 91 days based on market rates considered by the issuer.

Foreign exchange risk

The Company has no foreign currency denominated financial assets and liabilities as of December 31, 2009 and 2008. Accordingly, the Company does not have exposure to foreign exchange risk.

6. Segment Information

The Company has three (3) main products: Rx Cashline - loans tailored to medical professionals, MFC Factors - a receivable factoring service for small and medium enterprise, and MC Financing - loans to motorcycle buyers.

The management of the Company conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus targets and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

As a result of these constant evaluations, the management of the Company decided to lessen and lower its thrust in the MFC Factors line. This product line is considered high risk - high exposure in amount - kind of product. With only one bad account immediately exposes the Company into millions put at risk.

In 2009, the management of the Company went into conscious effort in expanding its motorcycle business line. The motorcycle industry is expected to grow in the double digit range and the Company intends to take advantage on this projected growth. The increase in the purchasing power of the average Filipino and the rising gas prices have made motorcycles the more practical alternative to taking long daily commutes. Furthermore, this product line has the lowest credit risk with a chattel attached. Although the revenue figures doubled with expansion, operating costs more than doubled primarily due to set-up activities - training of additional manpower, stocking up of supplies and forms, intensive marketing and promotions and other pre-operating costs.

Below is the performance of each of the product line based on allocable revenues and expenses.

	2009				
	Rx Cash Line	**MC Factors**	**MC Financing**	**Others**	**Total**
Loans	**₱53,547,109**	**₱107,449,027**	**₱261,192,637**	**₱47,316,856**	**₱469,505,629**
Results of operation					
Revenues					
Interest income	**19,092,709**	**16,185,768**	**32,401,037**	**2,187,110**	**69,866,624**
Other income	**3,194,643**	**901,281**	**539,700**	**1,717,278**	**6,352,902**
	22,287,352	**17,087,049**	**32,940,737**	**3,904,388**	**76,219,526**
Expenses					
Interest expense	**1,935,176**	**3,046,105**	**6,704,357**	**–**	**11,685,638**
Provision for losses	**2,346,035**	**3,150,436**	**–**	**–**	**5,496,471**
Operating expenses	**5,389,635**	**1,924,527**	**19,514,573**	**16,056,931**	**42,886,266**
	9,670,846	**8,121,068**	**26,218,930**	**16,056,931**	**60,068,375**
Net operating income (loss)	**12,616,506**	**8,965,981**	**6,721,807**	**(12,152,543)**	**16,150,951**
Less:					
Provision for income tax	**–**	**–**	**–**	**5,402,433**	**5,402,433**
Net income (loss)	**₱12,616,506**	**₱8,965,981**	**₱6,721,807**	**(₱17,554,976)**	**₱10,748,518**
Balance Sheet					
Total assets	**₱53,520,742**	**₱74,301,171**	**₱174,491,207**	**₱152,319,941**	**₱454,633,061**
Total liabilities	**₱–**	**₱–**	**₱–**	**₱241,909,232**	**₱241,909,232**
Other segment information					
Capital expenditures	**₱–**	**₱–**	**₱–**	**₱306,374**	**₱306,374**
Depreciation and amortization	**₱453,996**	**₱179,222**	**₱927,853**	**₱2,799,607**	**₱4,361,078**

	2008				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	₱64,864,730	₱168,745,329	₱83,256,116	₱19,535,258	₱336,401,433
Revenues					
Interest income	17,632,093	13,600,368	15,273,890	858,968	47,365,319
Other income	1,168,023	1,891,388	365,874	7,308,562	10,733,847
	18,800,116	15,491,756	15,639,764	8,167,530	58,099,166
Expenses					
Interest expense	2,794,991	4,621,960	3,903,897	–	11,320,848
Provision for losses	464,243	–	–	–	464,243
Operating expenses	4,057,638	1,605,387	8,292,784	25,021,786	38,977,595
	7,316,873	6,227,347	12,196,681	25,021,786	50,762,686
Net operating income (loss)	₱11,483,243	₱9,264,409	₱3,443,083	(₱16,854,256)	₱7,336,480
Less:					
Provision for income tax	–	–	–	1,871,386	1,871,386
Net income (loss)	₱11,483,243	₱9,264,409	₱3,443,083	(₱18,726,642)	₱5,465,094
Balance Sheets:					
Total assets	₱44,406,401	₱120,484,945	₱51,356,007	₱147,483,032	₱363,730,385
Total liabilities	₱–	₱–	₱–	₱160,935,262	₱160,935,262
Other segment information:					
Capital expenditures	₱–	₱–	₱–	₱11,970,437	₱11,970,437
Depreciation and amortization	₱251,785	₱99,617	₱514,584	₱1,552,652	₱2,418,638

The Company has no significant customers which contribute 10% or more of the revenues.

7. Cash on Hand and in Banks

This account consists of:

	2009	2008
Cash in banks	**₱12,901,462**	₱12,319,688
Cash on hand	**2,795,316**	756,950
	₱15,696,778	₱13,076,638

Cash in banks earns interest at the prevailing bank deposit rates with ranges from 0.30% to 0.63% in 2009 and from 0.40% to 0.70% in 2008. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term placement rate.

Interest income on cash in banks amounted to ₱0.07 million and ₱0.09 million in 2009 and 2008, respectively.

8. Loans and Receivables

This account consists of:

	2009	2008
Receivable from customers:		
Consumer	**₱265,090,367**	₱83,533,330
Services	**158,624,972**	152,991,063
Manufacturing	**26,412,058**	36,991,910
Construction	**19,985,458**	66,875,943
Small businesses/entrepreneurs	–	12,754,433
Other receivables (Note 21)	**6,107,564**	10,533,783
Notes receivable	–	222,353
	476,220,419	363,902,815
Unearned interest income	**(103,091,859)**	(52,964,447)
Client's equity	**(32,234,708)**	(50,623,599)
Allowance for impairment losses (see Note 14)	**(939,515)**	(12,959,999)
	₱339,954,337	₱247,354,770

The classes of receivable from customers are subdivided according to loan grants to different industries.

As of December 31, 2009 and 2008, nonperforming receivables under loans receivable amounted to ₱20.85 million and ₱12.96 million, respectively. Restructured loans amounted to ₱10.14 million and ₱27.50 million in 2009 and 2008, respectively.

Interest rates on loans receivable ranges from 1.25% to 3.50% plus gross receipts tax per month while interest on notes receivable amounted to 5.00% per annum of the principal balance in 2008.

Other receivables consist of lease contract receivables, sales contract receivables and accrued interest receivable.

Interest income earned from loans receivables amounted to ₱67.68 million, ₱46.51 million and ₱51.90 million in 2009, 2008 and 2007, respectively.

9. Available-for-Sale Financial Assets

This account pertains to golf club shares which are carried at fair value, net of unrealized loss and allowance for impairment losses and investment in AIB which is carried at cost. Details of these investments follow:

	2009	2008
Cost	**₱78,477,008**	₱78,477,008
Net unrealized loss	**(100,000)**	(100,000)
Allowance for impairment losses (see Note 14)	**(3,227,008)**	(3,227,008)
At December 31	**₱75,150,000**	₱75,150,000

On September 12, 2007, the Company purchased 9,000,000 shares of stocks of AIB for a total consideration of ₱75.00 million. This investment is accounted for at cost due to a lack of reliable method to establish fair value. On January 11, 2008, AIB declared dividends amounting to ₱5.36 million which were received by the Company during the year.

Movements in net unrealized losses on AFS financial assets follow:

	2009	2008
Balance at beginning of year	**₱100,000**	₱90,000
Change in fair value recognized in other comprehensive income	–	10,000
Balance at end of year	**₱100,000**	₱100,000

10. **Investment Properties**

The rollforward analysis of this account follows:

		2009	
	Land	**Improvements**	**Total**
Cost			
At January 1 and December 31	**₱4,434,352**	**₱7,291,041**	**₱11,725,393**
Accumulated Depreciation and Amortization			
At January 1	–	**2,555,732**	**2,555,732**
Depreciation and amortization	–	**337,616**	**337,616**
At December 31	–	**2,893,348**	**2,893,348**
Allowance for Impairment Losses (see Note 14)	**1,019,533**	–	**1,019,533**
Net Book Value	**₱3,414,819**	**₱4,397,693**	**₱7,812,512**

		2008	
	Land	Improvements	Total
Cost:			
At January 1	₱7,728,043	₱8,883,678	₱16,611,721
Disposals	(3,293,691)	(1,592,637)	(4,886,328)
At December 31	4,434,352	7,291,041	11,725,393
Accumulated Depreciation and Amortization:			
At January 1	–	3,484,828	3,484,828
Depreciation and amortization	–	290,839	290,839
Disposals/others	–	(1,219,935)	(1,219,935)
At December 31	–	2,555,732	2,555,732
Allowance for Impairment Losses (see Note 14)	1,019,533	–	1,019,533
Net Book Value	₱3,414,819	₱4,735,309	₱8,150,128

The aggregate fair value of the investment properties of the Company amounted to ₱9.82 million as of December 31, 2009 and 2008. The Company sold certain investment properties at a gain of nil and ₱2.30 million in 2009 and 2008, respectively.

The fair value of the Company's investment properties was estimated on the basis of recent sales of similar properties in the same areas taking into account the economic conditions prevailing at the time the valuations were made.

11. Investment in Subsidiaries

This account consists of:

	Percentage of ownership	2009	2008
Acquisition cost:			
Commercial and Consumer Credit Corporation (3C)	**100%**	**₱1,000,000**	₱1,000,000
Global Credit and Management Group/3C (GCMGI/3C)	**51%**	**1,000,000**	1,000,000
3C Pawnshop	**100%**	**100,000**	100,000
		2,100,000	2,100,000
Allowance for impairment losses (see Note 14)		**(2,000,000)**	(2,000,000)
		₱100,000	₱100,000

3C and GCMGI/3C have ceased operations in 1999 and 1996, respectively.

As of December 31, 2009, 3C Pawnshop has not yet started commercial operations.

12. Property and Equipment

The rollforward analysis of this account follows:

	2009			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱4,567,711**	**₱873,326**	**₱8,286,540**	**₱13,727,577**
Additions	**306,374**	**–**	**1,296,631**	**1,603,005**
Reclassification (see Note 13)	**(2,289,470)**	**–**	**–**	**(2,289,470)**
At December 31	**2,584,615**	**873,326**	**9,583,171**	**13,041,112**
Accumulated Depreciation and Amortization				
At January 1	**217,405**	**22,446**	**2,079,919**	**2,319,770**
Depreciation and amortization	**789,413**	**89,782**	**2,679,777**	**3,558,972**
At December 31	**1,006,818**	**112,228**	**4,759,696**	**5,878,742**
Net Book Value	**₱1,577,797**	**₱761,098**	**₱4,823,475**	**₱7,162,370**

	2008			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost:				
At January 1	₱1,736,717	₱131,978	₱8,130,557	₱9,999,252
Additions	4,321,531	873,326	6,775,580	11,970,437
Disposals	(1,490,537)	(131,978)	(6,619,597)	(8,242,112)
At December 31	4,567,711	873,326	8,286,540	13,727,577
Accumulated Depreciation and Amortization:				
At January 1	1,593,057	131,978	4,733,726	6,458,761
Depreciation and amortization	114,885	22,446	1,739,693	1,877,024
Disposals	(1,490,537)	(131,978)	(4,393,500)	(6,016,015)
At December 31	217,405	22,446	2,079,919	2,319,770
Net Book Value	₱4,350,306	₱850,880	₱6,206,621	₱11,407,807

Motorcycle inventory is transferred to transportation equipment when they are used in business by the employees. The transportation equipment is valued at the inventory's carrying amount. In 2009, the Company transferred ₱1.30 million worth of motorcycle inventories.

13. Other Assets

This account consists of:

	2009	2008
Motorcycle inventory	**₱2,737,304**	₱1,291,000
Prepaid expenses	**1,891,024**	1,993,453
Software costs	**1,824,980**	–
Miscellaneous	**243,931**	352,994
	₱6,697,239	₱3,637,447

Motorcycle inventory pertains to repossessed units from the Company's motorcycle financing business carried at its net realizable value.

The movements in software costs follow:

	2009	2008
Cost		
At January 1	**₱400,775**	₱400,775
Reclassification (See Note 12)	**2,289,470**	–
At December 31	**2,690,245**	400,775
Accumulated Amortization		
At January 1	**400,775**	150,000
Amortization for the year	**464,490**	250,775
Accumulated amortization	**865,265**	400,775
At December 31	**₱1,824,980**	₱–

14. **Allowance for Impairment Losses**

Movements in allowance for impairment losses follow:

	December 31, 2009						
	Receivable from customers						
	Manufacturing	**Services**	**SME**	**Consumer**	**Other receivables**	**Others**	**Total**
At January 1	**₱3,668,549**	**₱4,741,308**	**₱4,010,796**	**₱–**	**₱119,459**	**₱419,887**	**₱12,959,999**
Provisions during the year	**5,496,471**	**–**	**–**	**–**	**–**	**–**	**5,496,471**
Accounts written-off	**(8,251,872)**	**(4,714,941)**	**(4,010,796)**	**–**	**(119,459)**	**(419,887)**	**(17,516,955)**
At December 31	**₱913,148**	**₱26,367**	**₱–**	**₱–**	**₱–**	**₱–**	**₱939,515**
Individually impaired	**₱913,148**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱913,148**
Collectively impaired	**–**	**26,367**	**–**	**–**	**–**	**–**	**26,367**
Total	**₱913,148**	**₱26,367**	**₱–**	**₱–**	**₱–**	**₱–**	**₱939,515**
Gross amount of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment allowance	**₱20,848,307**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,848,307**

	December 31, 2008						
	Loans receivable						
	Manufacturing	Services	SME	Consumer	Other receivables	Others	Total
At January 1	₱3,668,549	₱4,277,065	₱4,010,796	₱–	₱119,459	₱419,887	₱12,495,756
Provisions during the year	–	464,243	–	–	–	–	464,243
At December 31	₱3,668,549	₱4,741,308	₱4,010,796	₱–	₱119,459	₱419,887	₱12,959,999
Individually impaired	₱–	₱–	₱–	₱–	₱119,459	₱419,887	₱539,346
Collectively impaired	3,668,549	4,741,308	4,010,796	–	–	–	12,420,653
Total	₱3,668,549	₱4,741,308	₱4,010,796	₱–	₱119,459	₱419,887	₱12,959,999
Gross amount of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment allowance	₱–	₱–	₱–	₱–	₱119,459	₱419,887	₱539,346

Impairment Assessment
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties.

The Company assesses impairment of its loans and receivables into two areas: individually assessed allowances and collectively assessed allowances.

The Company determines allowance for each significant receivable on an individual basis. Among the items that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable, and accounts of defaulted agents.

For the collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

The total impairment losses on the receivables recognized in statement of comprehensive income amounted to ₱5.50 million and ₱0.46 million for the years ended December 31, 2009 and 2008, respectively.

Movements in allowance for impairment losses follow:

	2009	2008
At January 1		
AFS investments	**₱3,227,008**	₱3,227,008
Investment in subsidiaries	**2,000,000**	2,000,000
Investment properties	**1,019,533**	2,433,992
	6,246,541	7,661,000
Recoveries	**–**	(1,414,459)
At December 31		
AFS investments (see Note 8)	**3,227,008**	3,227,008
Investment in subsidiaries (see Note 10)	**2,000,000**	2,000,000
Investment properties (see Note 11)	**1,019,533**	1,019,533
	₱6,246,541	₱6,246,541

15. **Notes Payable**

This represents unsecured short-term unsecured loans from the Company's stockholders (see Note 21) with interest rates ranging from 8.00% to 11.83% per annum in 2009 and 2008.

Notes payable maturing within one year from the respective balance sheet dates amounted to ₱200.90 million and ₱145.33 million as of December 31, 2009 and 2008, respectively. However, the Company has an intention to renew the balance. Interest expense on these notes payable amounted to ₱11.69 million, ₱11.32 million, ₱11.50 million in 2009, 2008 and 2007, respectively.

16. **Accounts and Other Payables**

This account consists of:

	2009	2008
Payable to suppliers (Note 21)	**₱25,697,573**	₱5,198,722
Taxes payable	**950,174**	979,990
SSS, Medicare and HDMF payable	**–**	43,053
Other payables	**4,189,850**	2,771,669
	₱30,837,597	₱8,993,434

Accounts and other payables are normally settled in 30 days term.

17. **Maturity Analysis of Assets and Liabilities**

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the balance sheet date.

	2009			2008		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total
Financial Assets						
Cash on hand and in banks	**₱15,696,778**	**₱–**	**₱15,696,778**	₱13,076,638	₱–	₱13,076,638
Loans and other receivables – gross	**476,220,419**	**–**	**476,220,419**	363,902,815	–	363,902,815
AFS financial assets	**–**	**75,150,000**	**75,150,000**	–	75,150,000	75,150,000
	491,917,197	**75,150,000**	**567,067,197**	376,757,100	75,150,000	452,129,453
Nonfinancial Assets						
Property and equipment	**–**	**7,162,370**	**7,162,370**	–	11,407,807	11,407,807
Investment properties	**–**	**7,812,512**	**7,812,512**	–	8,150,128	8,150,128
Investment in a subsidiary	**–**	**100,000**	**100,000**	–	100,000	100,000
Deferred tax assets	**–**	**2,059,825**	**2,059,825**	–	4,853,595	4,853,595
Other assets	**4,872,259**	**1,824,980**	**6,697,239**	3,637,447	–	3,637,447
	4,872,259	**18,959,687**	**23,831,946**	3,637,447	24,511,530	28,148,977
Less: Allowance for credit losses	**939,515**	**–**	**939,515**	12,959,999	–	12,959,999
Unearned interest income	**103,091,859**	**–**	**103,091,859**	52,964,447	–	52,964,447
Client's equity	**32,234,708**	**–**	**32,234,708**	50,623,599	–	50,623,599
	136,266,082	**–**	**136,266,082**	116,548,045	–	116,548,045
	₱360,523,374	**₱94,109,687**	**₱454,633,061**	₱263,846,502	₱99,763,959	₱363,730,385
Financial Liabilities						
Notes payable	**₱200,897,948**	**₱–**	**₱200,897,948**	₱145,325,925	₱–	₱145,325,925
Accounts and other payable	**25,697,573**	**–**	**25,697,573**	5,689,119	–	5,689,119
Accrued expenses	**6,621,739**	**–**	**6,621,739**	5,198,722	–	5,198,722
	233,217,260	**–**	**233,217,260**	156,213,766	–	156,213,766
Nonfinancial Liabilities						
Accounts and other payable	**5,140,024**	**–**	**5,140,024**	3,794,712	–	3,794,712
Income tax payable	**949,867**	**–**	**949,867**	–	–	–
Pension liability	**–**	**2,602,081**	**2,602,081**	–	926,784	926,784
	6,089,891	**2,602,081**	**8,691,972**	3,794,712	926,784	4,721,496
	₱239,307,151	**₱2,602,081**	**₱241,909,232**	₱237,011,972	₱926,784	₱160,935,262

18. Equity

On June 4, 2009, the BOD approved the declaration of 0.43% stock dividends in the amount of ₱819,764 to stockholders of record as of July 2, 2009 with distribution date not later than July 28, 2009. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱819,716. Fractional shares related to this declaration were settled in cash amounting to ₱48.00.

On June 19, 2008, the BOD approved the declaration of 2.51% stock dividends in the aggregate amount of ₱2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,257,147. Fractional shares related to this declaration were settled in cash amounting to ₱35.00.

In 2007, the Company received an additional capital infusion from its stockholders for their subscription of 48,543,689 shares to be issued out of the proposed increase in authorized capital stock from 90 million common shares to 300 million common shares with a par value of ₱1 per share. This was recorded as deposits for future stock subscription in the amount of ₱50.00 million. In addition, the BOD approved the declaration of stock dividends in the maximum of 50,241,970 shares for shareholders as of November 27, 2007 and distributed in 2008 upon approval of the SEC of the increase in authorized capital stock. Fractional shares related to this declaration were settled in cash amounting to ₱41.00. The SEC approved the increase in authorized capital stock on March 6, 2008.

On June 14, 2007, the BOD approved the declaration of cash dividends amounting to ₱2,430,832 and 3.01% stock dividends amounting to ₱2,430,712 in favor of the stockholders of record as of July 12, 2007. In addition, on November 6, 2007, the BOD approved the declaration of 8.28% stock dividends amounting to ₱6,882,103 in favor of the stockholders of record as of November 26, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱43.00.

The movements in the number of shares and capital stock amount for the years ended December 31, 2009, 2008 and 2007 follows:

	December 31, 2009		December 31, 2008		December 31, 2007	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
At January 1	**191,042,689**	**₱191,042,689**	89,999,959	₱89,999,959	80,687,187	₱80,687,187
Stock dividends	**819,716**	**819,716**	52,499,041	52,499,041	9,312,772	9,312,772
Issuance of shares of stock	–	–	48,543,689	48,543,689	–	–
At December 31, respectively	**191,862,405**	**₱191,862,405**	191,042,689	₱191,042,689	89,999,959	₱89,999,959

Capital Management

The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the year ended December 31, 2009 and 2008, respectively.

The Company considers the total equity as presented in the balance sheet as capital.

19. **Income and Other Taxes**

Provision for income tax consists of:

	2009	**2008**	**2007**
Current:			
RCIT	₱2,602,081	**₱1,668,247**	**₱8,774,867**
Final	6,582	**17,699**	**122,826**
	2,608,663	**1,685,946**	**8,897,693**
Deferred	2,793,770	**185,440**	**30,414**
	₱5,402,433	**₱1,871,386**	**₱8,928,107**

The components of the net deferred tax assets follow:

	2009	2008
Deferred tax assets on:		
Accrued expenses	**₱1,414,156**	₱433,512
Allowance for impairment losses	**587,714**	4,351,442
Past service cost	**57,955**	68,641
	₱2,059,825	₱4,853,595

The reconciliation of the statutory income tax to the effective income tax follows:

	2009	2008	2007
Statutory income tax	**₱4,845,285**	₱2,567,768	₱8,348,526
Tax effects of:			
Change in unrecognized deferred tax assets	**313,061**	708,275	526,075
Nondeductible expense	**246,310**	1,805,648	–
Nondeductible interest expense	**3,258**	30,709	72,222
Income subjected to CGT	–	(624,530)	–
Change in tax rate	–	(708,275)	–
Interest already subjected to final tax and dividend income	**(5,481)**	(1,908,209)	(49,130)
Others	–	–	30,414
Effective income tax	**₱5,402,433**	₱1,871,386	₱8,928,107

Republic Act (RA) No. 9337, An Act Amending National Internal Revenue Code, provides that effective July 1, 2005, the RCIT rate shall be 35.00% until December 31, 2008. Starting January 1, 2009, the RCIT rate shall be 30.00% and interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

Under current tax regulations, the maximum amount of entertainment, amusement and recreation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1% of the gross revenue of a company engaged in the sale of services.

20. **Retirement Plan**

The Company has a funded, tax-qualified defined benefit pension plan covering all its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The principal actuarial assumptions used in determining retirement liability for the Company's retirement plan as of January 1 are shown below:

	2009	2008
Discount rate	**9.82%**	8.57%
Expected rate of return on assets	**7.00**	7.00
Future salary increases	**10.00**	10.00

The funded status and amounts recognized in the balance sheets for the net pension liability as of December 31, 2009 and 2008 follow:

	2009	2008
Present value of fund obligation	**₱1,853,196**	₱1,096,849
Fair value of plan assets	**(1,562,501)**	(990,791)
	290,695	106,058
Unrecognized actuarial gains	**659,172**	820,726
Net pension liability	**₱949,867**	₱926,784

Movement in the pension liability during the year follows:

	2009	2008
At January 1	**₱926,784**	₱571,710
Retirement expense	**594,793**	355,074
Contributions	**(571,710)**	–
At December 31	**₱949,867**	₱926,784

Movements in the present value of plan obligation follow:

	2009	2008
At January 1	**₱1,096,849**	₱1,668,419
Current service cost	**603,795**	277,491
Interest cost	**107,711**	142,984
Actuarial loss (gain)	**44,841**	(992,045)
At December 31	**₱1,853,196**	₱1,096,849
Experience adjustments	**₱260,661**	₱853,586

Movements in the fair value of plan assets recognized follow:

	2009	2008
At January 1	**₱990,791**	₱934,295
Contributions paid by employer	**571,710**	–
Expected return on plan assets	**89,365**	65,401
Actuarial loss	**(89,365)**	(8,905)

At December 31	**₱1,562,501**	₱990,791
Experience adjustments	**₱89,365**	₱8,905

Actual return on plan assets amounted to nil and ₱0.06 million in 2009 and 2008, respectively.

The retirement expense included in salaries and employee benefits in the statements of comprehensive income follows:

	2009	2008
Current service cost	**₱603,795**	₱277,491
Interest cost	**107,711**	142,984
Expected return on plan assets	**(89,365)**	(65,401)
Actuarial gains	**(27,348)**	–
	₱594,793	₱355,074

The categories of plan assets follow:

	2009	2008
Government securities	**78.26%**	92.46%
Time deposits	**9.28**	2.31
Accrued interest receivables	**0.60**	1.25
Savings deposits	**0.02**	0.08
Others	**11.84**	3.90
	100.00%	100.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Information on the Company's retirement plan is as follows:

	2009	2008	2007	2006
Present value of the defined benefit obligation	**₱1,853,196**	₱1,096,849	₱1,668,419	₱1,602,673
Faire value of plan assets	**1,562,501**	990,791	934,295	467,267
Deficit on plan assets	**290,695**	106,058	734,124	1,135,406
Experience adjustments arising on plan liabilities	**260,661**	853,586	275,772	–
Experience adjustments arising on plan assets	**89,365**	8905	21,681	–

21. **Related Party Transactions**

The following transactions have been entered into with related parties:

Related Party	Nature of Related Party Relationship	Nature of Transaction	Balance Sheet Amount 2009	Balance Sheet Amount 2008	Statement of Income Amount 2009	Statement of Income Amount 2008	Statement of Income Amount 2007
AIB	Stockholder	Receivables	**₱101,007**	₱101,007	**₱–**	₱–	₱–
		Note payable	**182,100,000**	119,300,000	**–**	–	–
		Other receivables	**101,022**	224,772	**–**	–	–
		Interest expense	**–**	–	**8,846,460**	10,332,861	9,293,706
		Interest income	**–**	–	**–**	–	200,191
Merg Realty and Development Corporation	Stockholder	Rent expense	**–**	–	**591,360**	591,360	484,006
		Notes payable	**500,000**	1,500,000	**–**	–	–
		Interest expense	**–**	–	**99,222**	51,945	42,481
Honda Motor World	Affiliate	Professional fees	**–**	–	**1,440,000**	1,440,000	44,445
		Payable to suppliers	**25,697,573**	5,198,722	**–**	–	–
Feliz Management, Inc.	Affiliate	Professional fees	**–**	–	**–**	945,012	600,000
Pikeville Bancshares	Affiliate	Professional fees	**–**	–	**868,000**	930,000	692,000
Merg Resources	Affiliate	Rent expense	**–**	–	**–**	200,000	200,000
Others	Affiliates	Interest expense	**–**	–	**–**	88,760	294,375
	Stockholders	Notes payable	**16,740,914**	–	**–**	–	–
	Employees	Receivables	**2,318,016**	–	**–**	–	–
	Employees	Notes payable	**1,000,000**	–	**–**	–	–
	Directors	Professional fees	**–**	–	**2,325,424**	–	–
	Directors	Notes payable	**1,057,034**	15,001,417	**–**	–	–
	Directors	Management fees	**–**	–	**500,000**	720,000	1,100,000

The remuneration of directors and other members of key management consist of short-term benefits amounting to ₱4.36 million, ₱4.43 million and ₱4.18 million in 2009, 2008 and 2007, respectively, included in the Management and Professional Fees account in the statements of comprehensive income.

22. **Earnings Per Share**

EPS amounts were calculated as follows:

	2009	2008	2007
a. Net income	**₱10,748,518**	₱5,465,094	₱15,047,649
b. Weighted average number of outstanding common shares	**191,452,547**	182,509,273	92,180,285
c. Basic/diluted earnings per share (a/b)	**₱0.06**	₱0.03	₱0.16

As of December 31, 2009 and 2008, there were no shares of stock that have a dilutive effect on the EPS of the Company.

23. Miscellaneous Expenses

Miscellaneous expenses contain the following items:

	2009	2008	2007
Utilities	**₱906,116**	₱730,943	₱414,387
Stationeries and supplies	**854,263**	427,252	–
Communication	**784,180**	521,409	407,085
Repairs and maintenance	**508,923**	177,074	–
Insurance	**473,179**	527,076	238,703
Advertising and promotions	**170,459**	151,071	–
Training and development	**85,707**	28,071	–
Membership dues	**77,795**	94,166	–
Meetings and conferences	**77,698**	59,966	–
Medical insurance	**11,185**	126,010	–
Miscellaneous	**3,823,078**	7,297,035	2,442,780
	₱7,772,583	₱10,140,073	₱3,502,955

Miscellaneous expenses include other assets written-off, donations and other expenses.

24. Contingent Liability

In 2003, the Company received a preliminary assessment notice from the BIR for various tax liabilities covering the taxable year 1999 amounting to ₱5.33 million. In 2004, the Company entered into a compromise settlement with the BIR for the settlement of this assessment at ₱0.72 million. Of this amount, ₱0.39 million were paid representing basic deficiency tax and compromise penalty. The balance represents interest. On December 19, 2006, the Company filed an abatement on its outstanding tax liability amounting to ₱0.33 million and has not received any reply as of December 31, 2009.

25. Lease Commitment

The Company leases its office space under a lease contract expiring on September 30, 2010. Total rent expense incurred in 2009, 2008 and 2007 amounted to ₱0.77 million, ₱1.16 million and ₱0.96 million, respectively. The lease contract is renewable annually upon agreement of the lessor and the Company.

26. Miscellaneous Income

Miscellaneous income mainly represents additional loan-related charge fees collected from borrowers.

ANNEX B

MAKATI FINANCE CORPORATION

SEC FORM 17-Q
FOR THE QUARTER ENDING MARCH 31,2010
WITH COMPARATIVE FIGURES FOR 2009

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 ND Floor, Makati

Finance Center 7823

Makati Ave., Makati City

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

MERLINDA V. CUNANAN	897-0749
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-Q	0 6	
Month	Day	FORM TYPE	Month	Day

Fiscal Year

2010

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 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **MARCH 31, 2010**

2. Commission identification number **28788**

3. BIR Tax Identification No. **000-473-966**

   MAKATI FINANCE CORPORATION
4. Exact name of issuer as specified in its charter

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

6. Industry Classification Code: [ ] (SEC Use Only)

   7823 MAKATI AVENUE, POBLACION, MAKATI CITY **1210**
7. Address of issuer's principal office Postal Code

   (0632) 896-02-21
8. Issuer's telephone number, including area code

   N/A
9. Former name, former address and former fiscal year, if changed since last report

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 and amoun of debt outstanding
COMMON STOCK	**191,862,405***

**as reported by the stock transfer agent as of March 31, 2010*

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March 31)

	2010	*2009*
GROSS MARGIN	86.23%	80.73%
EBIT MARGIN	39.39%	55.53%
RETURN ON ASSETS (annualized)	2.60%	1.50%
DEBT PERFORMANCE	72.96%	77.0%
RETURN ON EQUITY (annualized)	5.20%	3.10%

Gross margin increased by 5.5%, which is computed by deducting the cost of borrowing from the gross interest revenues. This is due to higher income of the Company during the year of 2010. The EBIT margin, which measures profitability performance as annualized net income before interest and taxes over the total interest income, decreased to 39.39% in March 2010 as against 55.53% in March 2009 as a result of the company's thrust to produce higher quality loan portfolio with lower interest yield and also due to expansion in MC Financing line. Return on assets was at 2.60% in 2010 as against 1.50% in 2009. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 5.20% in March 2010 as against 3.10% in March 2009. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction and other bank lines. The Company also get other bank lines for possible cash inflow. The Company's acquired assets are being offered at good prices, which is also a good source of funds. In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

Events that will Trigger Material Direct or Contingent Financial Obligation

There are no expected events that will trigger any material direct or contingent liabilities that the company may incur.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

There are no material Off-Balance Sheet transactions, arrangements or obligations.

Material Commitments for Capital Expenditure

The Company had started to implement its geographical expansion plans for the Motorcycle Financing line. As in any expansion, there is the need to invest in buying new office equipment , furnitures and service units (motorcycles) for the CSRs. The Company continued to spent its resources on computerization of financial system and spent on IT financial infrastructure.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱ 4.0 million for the first quarter of 2010. Net interest income for the quarter ending March amounted to ₱ 17.0 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

On operating expenses, increased salaries and benefits, commissions, management fees, supplies and advertising contributed to the increase in the operating expenses as of March 2010. On matters of provisioning, the Company continued to be prudent such that even day one past due accounts are provisioned for but only within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱506.8 million, of which current assets were at ₱531.6 million.The increase is primarily due to our loan portfolio of our products being offered. Total liabilities amounting to ₱290.2 million as of March 31, 2010 was an increase from the 150.5 million from December 2009 due to additional funding requirements relative to Motorcycle expansion..

Material Events or Uncertainties

The Company had no material foreign exchange transactions, hence the peso depreciation had no direct effect on the company's financials. Management is not aware at this time of any forthcoming trends, uncertainties, demands, or events that would materially affect the Company's liquidity nor would have a material impact on its net income from continuing operations. There are also no material off-balance sheet transactions, arrangements nor obligations with unconsolidated entities. All the company's majority-owned subsidiaries do not have commercial operations as of March 31, 2010.

PART II--OTHER INFORMATION

NOT APPLICABLE.

There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

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 thereunto duly authorized.

Teresita B. Benitez

Issuer...**TERESITA B. BENITEZ**...........................

Signature and Title................................**President**..........................

Date ......April 22, 2010

Cunanan

Principal Financial/Accounting Officer/Controller..........**MERLINDA V. CUNANAN**..............

Signature and Title...>>..**ACCOUNTING & FINANCE MANAGER**.........................

Date ....April 22, 2010

ANNEX C

FINANCIAL STATEMENTS

For the Period Ending March 31, 2010
With Comparative Figures for 2009

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEETS

	MARCH 31, 2010	DEC. 31, 2009 (Audited)
Current Assets		
Cash on Hand/in Banks	31,596,622	15,696,778
Short Term Investments	75,150,000	75,150,000
Receivables *(Note 3)*	374,625,484	339,954,337
Total Current Assets	481,372,106	430,801,115
Investment Properties	7,728,108	7,812,512
Property & Equipment - net *(Note 3)*	8,454,341	7,162,370
Deferred Tax Asset	2,059,825	2,059,825
Other Assets - net *(Note 4)*	7,270,457	6,797,240
Total Assets	**506,884,837**	**454,633,062**

	MARCH 31, 2010	DEC. 31, 2009 (Audited)
Current Liabilities		
Notes Payable *(Note 6)*	266,353,525	200,897,948
Accrued Expenses	5,724,027	6,632,054
Other Payables	18,083,210	34,379,228
Total	290,160,762	241,909,230
Stockholder's Equity		
Capital Stock - P1 par value		
Authorized - 90,000,000 shares		
Issued and Outstanding	191,862,405	191,862,405
Additional Paid in Capital	5,803,922	5,803,922
Deposits for future stock subscription		
Retained Earnings	15,157,505	4,408,984
Net unrealized loss on investments	-100,000	-100,000
YTD Net Income	4,000,243	10,748,521
Total	216,724,075	212,723,832
Total Liabilities and Capital	**506,884,837**	**454,633,062**

MAKATI FINANCE CORPORATION
INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2010, 2009 and DEC. 31, 2009

	MAR. 2010	DEC. 2009 (AUDITED)	MAR. 2009
Interest Income – Loans	22,926,205	67,679,512	14,123,644
Interest Income - Short-term Investments			
Cost of Borrowings	4,028,285	11,685,637	3,241,930
Net Interest Income	18,897,920	55,993,875	10,881,714
Less: Provisions	1,890,000	5,496,471	
Net Interest Income After Provision	17,007,920	50,497,404	10,881,714
Other Income	1,578,483	8,540,012	1,108,412
Operating Expenses			
Professional Fees	358,050	2,400,325	1,673,392
Salaries and Wages	5,085,974	11,435,427	1,895,781
Transportation & Representation	1,071,910	1,711,552	797,745
Depreciation & Amortization	1,107,375	4,358,265	1,006,182
Commissions	1,309,613	2,996,692	409,426
Litigation & Asset Acquisition Expense			
Other Employee Benefits	187,725	663,377	7,681
Communications & Utilities	494,475	1,690,296	341,127
Rent Expense	333,086	769,412	147,840
Taxes	159,378	3,541,693	212,130
Other Operating Expenses	2,764,184	12,423,396	588,936
Total	12,871,770	41,990,435	7,080,242
Net Income Before Income Tax	**5,714,633**	**16,150,954**	**4,909,885**
Provision for Tax/Deferred Tax Adjustment	1,714,390	5,402,433	1,472,965
Net Income After Tax	**4,000,243**	**10,748,521**	**3,436,920**
RETAINED EARNINGS, BEGINNING	**15,157,505**	**4,408,984**	**6,048,512**
RETAINED EARNINGS, QUARTER/YEAR-END	**19,157,748**	**15,157,505**	**10,958,397**
BASIC EARNINGS PER SHARE*	**0.02**	**0.06**	**0.02**

***As of March 31, 2010, and December 31, 2009,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTERIM CASH FLOW STATEMENTS (in '000)
FOR THE QUARTERS ENDING MARCH 31, 2010 and 2009

	2010 MARCH 31	2009 MARCH 31
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income Before Tax and Extraordinary Items	5,715	4,910
Adjustments for:		
Provisions for probable losses/impairment losses		
Amortization of deferred tax asset		
Amortization of software cost	116	
Depreciation and amortization	1,107	
Gain on sale of acquired assets	-92	-44
Changes in operating assets and liabilities		
Decrease(increase) in the amounts of:		
Receivables	-34,671	-3,446
Other assets	-473	-590
Increase(decrease) in the amounts of:		
Accrued expenses	-908	579
Other payables	-18,073	7,417
Net cash provided by (used in) operations	-47,279	8,826
Interest paid		
Income taxes paid		
Net cash provided by (used in) operating activities	-47,279	8,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment/acquired assets	-2,276	-57
Proceeds from sale of property and equipment		
Net cash provided by (used in) investing activities	-2,276	-57
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments (payments) of notes payable	81,455	18,928
Payment of private placement	-16,000	-50
Net cash provided by (used in) financing activities	65,455	-18,878
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	15,900	-10,109
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,697	13,077
CASH AND CASH EQUIVALENTS AT END OF QUARTER/YEAR	31,597	2,968

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDING MARCH 31, 2010 and 2009 and DECEMBER 31, 2009

	March 31, 2010	Dec. 31, 2009	March 31, 2009
Capital Stock			
Authorized 90,000,000 par value P1			
Issued and outstanding	191,862,405	191,862,405	191,042,689
Stock dividends			
Issuance during the year			
	191,862,405	**191,862,405**	**191,042,689**
Additional paid-in capital			
Balance, beginning of year	5,803,922	5,803,922	5,803,922
Issuance during the year			
	5,803,922	5,803,922	5,803,922
Retained earnings (deficit)			
Balance, beginning of year	15,157,505	6,048,512	6,048,512
Adjustment to RE			
Stock dividends		(819,716)	
Cash dividends		(819,812)	
Net income	4,000,243	10,748,518	3,436,919
Balance, end of quarter/year	19,157,748	15,157,502	9,485,432
Net unrealized loss on investments	-100,000	-100,000	-100,000
Total Equity	216,724,075	212,723,829	206,232,043

MAKATI FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

3. General Information

Makati Finance Corporation (the Company) was incorporated on February 17, 1966. 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 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 endorsed for approval by the Audit Committee on March 24, 2010 and authorized for issue by the Board of Directors (BOD) on March 24, 2010.

4. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso, 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 Company adopted in 2009 the new and amended standards and interpretations enumerated below. Except as otherwise indicated, these changes in accounting policies did not have any significant impact on the Company's financial statements.

New Standards

Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in a single statement, or in two-linked statements. The Company has elected to present one single statement.

PFRS 8, *Operating Segments*
PFRS 8 replaced PAS 14, *Segment Reporting*, upon its effectivity date. The Company concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 disclosures are shown in Note 6, including the related revised comparative information.

Amendments to Standards

PFRS 7 Amendments - *Improving Disclosures about Financial Instruments*
The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments and are presented in Notes 4 and 5, respectively.

The issuance of and amendments to the following PAS and Philippine Interpretations did not have any significant impact on the accounting policies, financial position or performance of the Company:

- PAS 23, *Borrowing Costs* (Revised)
- PAS 32 and PAS 1 Amendments, *Puttable Financial Instruments and Obligations Arising on Liquidation*
- PFRS 1 and PAS 27 Amendments, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- PFRS 2 Amendment, *Vesting Conditions and Cancellations*
- Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments, *Embedded Derivatives*

Improvements to PFRS 2008 and 2009

The omnibus amendments to PFRS issued in 2008 and 2009 were issued primarily with a view to remove inconsistencies and clarify wordings. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Company.

PAS 18 *Revenue,* the amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition policy has been updated accordingly.

Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

The Company recognizes financial assets or financial liabilities in the balance sheet when it becomes a party to the contractual provisions of the instrument. 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 measured at fair value through profit or loss (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 AFS investments. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized 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, re-evaluates such designation at every balance sheet date.

The Company's financial assets and liabilities are of the nature of loans and receivables and AFS investments, and other financial liabilities, respectively.

Determination of fair value

The fair value for financial instruments traded in active markets at the 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 ask prices are not available, the price 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, and other relevant valuation models.

Day 1 difference
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 markets, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the statement of comprehensive income when it qualifies for recognition or some other type of asset. 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 comprehensive 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 difference amount.

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. This accounting policy relates to balance sheet captions, "Cash on hand and in banks" and "Loans and other receivables".

After initial measurement, loans and receivables are carried at amortized cost using the effective interest (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the statement of comprehensive income.

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

Loans and 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 30.00% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

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 pertain to golf club shares and an investment in an affiliated company.

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 gain/loss on AFS investments" in other comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the statement of comprehensive income. Interest earned on the AFS investment, is reported as interest income using the EIR method. Dividends earned are recognized in the statement of comprehensive 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 comprehensive income.

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.

Other financial liabilities
Other financial liabilities are financial liabilities not designated as at FVPL 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

<u>Derecognition of Financial Assets and Liabilities</u>
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 comprehensive income.

Offsetting Financial Instruments
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 a 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 on loans and receivables 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 statement of comprehensive 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 for impairment losses. If a future write-off is later recovered, any amounts formerly charged are credited to the "Provision for impairment and credit losses" account in the statement of comprehensive 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 EIR, 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.

AFS financial assets
In the case of equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss - is removed from equity and recognized in other comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in the statement of comprehensive income.

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 Company's investment in subsidiaries are carried at cost less allowance for impairment losses.

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 retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected as income or loss in the statement of comprehensive income.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	3-5 years
Leasehold rights and improvements	10 years or over the period of the lease, whichever is shorter
Transportation equipment	3-5 years

The useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. See policy on impairment of property and equipment, investment properties and other assets

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired

unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value.

Foreclosed properties are classified under investment properties at foreclosure date.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Amortization of buildings and improvements is calculated on a straight-line basis over the estimated useful life of 15 years from the time of acquisition of the investment property.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in the statement of comprehensive income in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Motorcycle Inventories

The Company forecloses the chattel mortgages attached to the loans pertaining to the MC Financing upon defaults. The Company recognizes motorcycle inventories at their net realizable value on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

Software Costs

Software costs, included under "Other Assets" account in the balance sheet, include costs incurred relative to the development of the Company's software. Software costs are amortized over three to five years on a straight-line basis from the date of its available for use.

Impairment of Property and Equipment, Investment Properties and Other Assets

At each balance sheet date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Unearned interest income is recognized as income over the terms of the receivable using the effective interest rate (EIR) method. 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 collectability.

Dividend income

Dividend income is recognized when the Company's right to receive the payment is established.

Foreign Currency Transactions and Translation

Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing Philippine Dealing and Exchange Corp (PDex), formerly Philippine Dealing System, at the balance sheet date while foreign currency-denominated income and expenses are translated into their Philippine pesos equivalent based on the weighted average rate at transaction dates. Exchange gains or losses arising from foreign currency-denominated transactions and restatements of foreign currency-denominated assets and liabilities are credited to or charged against current operations.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to other comprehensive income items recognized directly in the statement of comprehensive income.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed as at balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are recognized in the statement of comprehensive income and not in the statement of income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

e. there is a change in contractual terms, other than a renewal or extension of the arrangement;
f. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
g. there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
h. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above;

and at the date of renewal or extension period for scenario (b).

Company as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurrent. Borrowing costs consist of interest and other costs that the Company incurs in connection with borrowing of funds.

Retirement Cost
The Company has a funded, noncontributory defined benefit retirement plan, administered by trustees, covering their permanent employees.

The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10.00% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working life of the employees participating in the plan.

Past-service costs are recognized immediately in the statement of comprehensive income, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year attributable to

equity holders of the Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have dilutive potential common shares.

Events after Balance Sheet Date
Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

Future Changes in Accounting Policies
The Company will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

New Standards and Interpretations

PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended)
The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with few exceptions.

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

Amendments to Standards

PAS 39 Amendment, *Eligible Hedged Items*
The amendment to PAS 39, *Financial Instruments: Recognition and Measurement,* effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

PFRS 2 Amendments, *Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to PFRS 2009
The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods financial years January 1, 2010 except as otherwise stated. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3 (Revised). The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*, clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Amendment to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Amendment to Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgments

(c) *Fair values of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation (see Note 4).

(d) *Operating lease commitments*
The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 25).

Estimates

(g) *Impairment of unquoted AFS equity investment*
The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20.00% or more and 'prolonged' as longer than 6 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The carrying values of the unquoted AFS equity investment of the Company amounted to ₱75.15 million as of December 31, 2009 and 2008 (see Note 9).

(h) *Impairment losses of loans and other receivables*
The Company maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables carrying balance and the computed present value. Factors considered in an individual assessment are payment history, past due status and term. The collective assessment would require the Company to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. 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 the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. The carrying value of loans and other receivables amounted to ₱339.95 million and ₱247.35 million as of December 31, 2009 and 2008, respectively (see Note 8).

(i) Impairment of nonfinancial assets
Property and equipment and investment properties
The Company assesses impairment on its property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future 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.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

1. Receivables

Receivables consist of:

	Mar-10	Dec-09
Loans receivable	526,142,284	469,505,629
Due from affiliates	184,373	184,373
Notes receivable		
Others	5,315,028	6,530,417
	531,641,685	476,220,419
Unearned interest income/discount	-154,186,686	-135,326,567
Allowance for impairment losses	-2,829,515	-939,515
	374,625,484	339,954,337

Property and Equipment

The movements of property and equipment during the year follow:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance, January 1, 2010	2,584,615	873,326	9,583,170	13,041,111
Additions	227,840	-	2,048,395	2,276,235
Reclassification (See Note 13)		-	-	-
Balance, Mar 31, 2010	2,812,455	873,326	11,631,565	15,317,346
Accumulated Depreciation and Amortization				
Balance, January 1, 2010	1,006,016	112,228	4,760,497	5,878,741
Depreciation and amortization	179,391	22,446	705,013	906,850
Balance, Mar 2010	1,185,407	134,674	5,465,510	6,785,591
Net Book Value				
March 31, 2010	**1,627,048**	**738,652**	**6,166,055**	**8,531,755**
Dec. 31, 2009(Audited)	**1,577,797**	**761,098**	**4,823,475**	**7,162,370**

2. Other Assets

This account consists of:

	Mar-10	Dec-09
Computer Software	1,786,272	1,824,980
AFS investments	75,150,000	75,150,000
Investments in subsidiaries	100,000	100,000
Miscellaneous	5,384,184	4,872,260
	82,420,456	81,947,240

As of March 31, 2010 and December 31, 2009, investments in associates pertain to investments in shares of stock of the following:

Acquisition costs:	
Commercial and Consumer Credit Corporation (3C) (100% owned)	₱1,000,000
Global Credit and Management Group/3C (GCMGI/3C) (51% owned)	1,000,000
3C – Pawnshop (100% owned)	100,000
	2,100,000
Allowance for impairment losses	(2,000,000)
	₱100,000

3C and GCMGI/3C have ceased operations in 1999 and 1996, respectively. As of March 31, 2010, 3C Pawnshop has not yet started commercial operations.

3. Notes Payable

This represents unsecured short-term unsecured loans from the Company's stockholders (see Note 21) with interest rates ranging from 8.00% to 11.83% per annum in 2009 and 2008.

4. Stockholders' Equity

On June 4, 2009, the BOD approved the declaration of 0.43% stock dividends in the amount of P819,764 to stockholders of record as of July 2, 2009 with distribution date not later than July 28, 2009. On the same date, the BOD also approved the declaration of cash dividends amounting to P819,716. Fractional shares related to this declaration were settled in cash amounting to P48.00

On June 19, 2008, the BOD approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,257,147. Fractional shares related to this declaration were settled in cash amounting to ₱35.

In 2007, the Company received an additional capital infusion from its stockholders for their subscription of 48,543,689 shares to be issued out of the proposed increase in authorized capital stock from 90 million common shares to 300 million common shares with a par value of ₱1 per share. This was recorded as deposits for future stock subscription in the amount of ₱50.00 million. In addition, the BOD approved the declaration of stock dividends in the maximum of 50,241,970 shares for shareholders as of November 27, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱4. The SEC approved the increase in authorized capital stock on March 6, 2008.

On June 14, 2007, the BOD approved the declarationof cash dividends amounting to ₱2,430,832 and 3.01% stock dividends amounting to ₱2,430,712 in favor of the stockholders of record as of July 12, 2007. In addition, on November 6, 2007, the BOD approved the declaration of 8.28% stock dividends amounting to ₱6,882,103 in favor of the stockholders of record as of November 26, 2007. Fractional shares related to this declaration were settled in cash amounting to ₱41.

AGING OF RECEIVABLES
AS OF MARCH 31, 2010

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DA
A. Trade Receivables						
Loans Receivable (Gross PN Value)*						
As to Maturity Date:						
Within 1 year or less	-	-	-	-	-	
Maturity after 1 year	-	-	-	-	-	
Loan Receivables	521,166,205	1,874,411	766,276	446,726	558,552	2,829,51
SUB-TOTAL	**521,111,572**	**1,874,411**	**766,276**	**446,726**	**558,552**	**2,829,51**
Less: Allowance for Doubtful Accounts						2,829,515
Net Trade Receivables	**521,111,572**	**1,874,411**	**766,276**	**446,726**	**558,552**	**-**

***Gross PN Value=Principal + Unearned Interest & Discount/Clients' Equity amounting to P526.1Mn while allowance is for principal only. (Please see notes on Receivables)**

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DA
B. Non-Trade Receivables						
Due from Subsidiaries/Affiliates						
As to Maturity Date:						
Within 1 year or less**		-	-	-	-	184,37
Maturity after 1 year	3,870,260	-	-	-	-	-
SUB-TOTAL	**3,870,260**	**-**	**-**	**-**	**-**	**184,37**
Less: Allowance for Doubtful Accounts		-	-	-	-	
Net Non-Trade Receivables	**3,870,260**	**-**	**-**	**-**	**-**	**184,37**
NET RECEIVABLES	**524,981,832**	**1,874,411**	**766,276**	**446,726**	**558,552**	**184,37**