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 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)

CYNTHIA M. GACAYAN	897- 0749
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-A	Last Thursday of 0 6	
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

~~2012~~

2011

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-A

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

1. For the fiscal year ended ......**December 31, 2011**....................

2. SEC Identification Number .....**28788**........... 3. BIR Tax Identification No. **000-473-966**

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

5. ......Makati, Philippines.....................
   Province, Country or other jurisdiction of incorporation or organization

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

7. 7823 Makati Avenue, Makati City........................ ....1210...................
   Address of principal office Postal Code

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

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
common stock	**195,327,890**

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

    Yes [/] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange common stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [/]   No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Makati Finance Corporation ("MFC" or "The Company") is a company providing quality financial services and advisory to its clients. The Company has been in the financial services sector since 1966, navigated its way out of the Asian Financial Crisis in 1997-1999, and was listed in the PSE following a successful initial public offering (IPO) in 2003. Since listing, MFC has posted net profits and has consistently declared 30% of its net income as dividends every year which is the Company's dividend policy established in 2003. Moving forward, the Company plans to significantly expand its loan portfolio in the next years.

The Company's main product lines are Rx Cashline – loans especially tailored to medical professionals, MFC Factors – a receivables factoring service for SMEs, and MC Financing, and MC Financing – loans for motorcycle buyers. These are offered domestically, hence there are no foreign sales. Also, no government approval is needed for these products. The management continues to implement cost-cutting measures and impose higher standards of credit evaluation.

Corporate Mission Statement

The Company believes in reaching its goals by focusing on its mission as follows:

"...to become one of the leading financial institutions in the country. Its objective is to become the best rather than the biggest. The Company pursues this objective through the following:

- *Efficiency in all aspects of operations*
- *Client satisfaction at all levels of service*
- *In-depth market penetration*
- *Creativity in the provision of competent solutions*

In the long run, Makati Finance sees itself as being the finance company known for excellence in financial service in its niche market."

MFC recognizes its role not only as a source of funding for consumers and businesses but as a partner to its clients in the improvement of their livelihood.

History and Background

On February 17, 1966 the Company was incorporated as Makati Investment & Finance Corporation (MIFC) under SEC registration number 28788. MFC's commercial operations started with engaging in stock dealership functions, credit line extensions, and acceptance of private placements.

The Philippine economy was in an upswing during the 1990s. Consequently, the Company focused on the growth and expansion of its operations and lending activities. Uder the new management, the Company focused on the growth of its loan portfolio to take advantage of the improving Philippine economy. It was during this time when MFC introduced new products and services as well as established additional credit lines with major commercial banks.

In 2005, MFC ventured into motorcycle financing. Seeing that motorcycle financing is a growth area and a profitable market niche, MFC has put considerable effort in developing its MC Financing business line. As part of its efforts to grow this product, the Company has partnered with two motorcycle dealers located in Alabang and Bacoor and through MFC's business relationship with the two dealers, MFC secured a contract which gives the Company a rights of first refusal over the financing of motorcycle sales for the aforementioned locations. All motorcycle financing applications will first be processed by MFC unless they are rejected by the Company. Rejected applications on the other hand are sent to other finance companies. At the end of 2005, MC Financing accounted for 10.9% of the loan portfolio.

In 2006, the Company expanded its motorcycle financing business. MC Financing loans doubled to ₱ 39.8 million in 2006 from 2005, representing 18.3% of the loan portfolio. In order to grow their MC Financing loan portfolio without investing heavily on capital expenditures, MFC leveraged on the existing plethora of motorcycle outlets[1] and after market parts repair shops to increase the Company's sales point networks.

In 2007, MFC focused on having a balanced loan portfolio in order to diversify its revenue sources. The Company further grew its MC Financing portfolio by 56.8% in 2007. At the end of the year it contributed 26.5% of MFC's entire interest income.

The year 2008 was focused on setting the baseline for its Growth. We called this our "Clean Up Year".

Early 2008, MFC encountered unusually higher repossessions of motorcycles they were financing. A review of procedures and process resulted to a subsequent revamp and restructure in the organization, most specially in the MC Financing product line. A re-tooling of manpower resources was also done. Accounts generated and existing in 2007 were reviewed to confirm good quality accounts remain and better control measures put in place to ensure of no repeats in control lapses.

The review likewise steered the direction for the Company to evaluate and implement an automated infra structure specific to its financing activity to ensure better control and monitor of all the accounts it handles. New infrastructure triggered renovation on office premises and other leasehold improvements.

The Company saw 2009 as its take off point for growth. Together with the slowly recovering global and domestic economies, MFC is now back in track with more than double its Net Income Before Tax as compared to that of the year 2008.

The Philippine motorcycle industry is expected to grow in the double digits range. While the improving Philippine economy will increase the purchasing power of the average Filipino, rising gas prices have made purchasing motorcycles the more practical alternative to taking long daily commutes. Motorcycle offer an alternative to public transportation and offer a more cost-effective way for the average Filipino to commute. For the next 5 years, the Company is planning to capitalize on this growth by providing financing services in tandem with the aggressive expansion of its dealer-partners.

In 2010 MFC continued to pursue its aggressive expansion in the motorcycle financing side of the business. The expansion took off in 2009 where we ended the year doing financing transactions on twelve (12) outlets of our dealer-partners. The aggressive thrust in motorcycle financing saw us ending 2010 doing financing leasing sales transactions for twenty eight (28) of our dealer-partners' outlets. As such, volume of motorcycle units financed increased by 84.6%, from 2,713 motorcycle units in 2009 to 5,008 motorcycle units in 2010.

Given the dramatic increase in our volume of transactions for motorcycles financed, portfolio share for motorcycle financing wet up from 60% to 78%, or an 18% rise in 2010 versus 2009. Consequently, interest income went up from P69.9M in 2009 to P113.0M in 2010, or a 62% increase. We borrowed funds from financing institutions to support the substantial growth in our volume of amounts financed and consequently interest expense increased by 174 percent or from P11.7M in 2009 to P32.1M in 2010.

As expected in any expansion activity, expenses also dramtically increased. Manpower hirings were timed to allow at least six (6) months on-the-job training for all positions prior to deployment. Office supplies and forms were acquired in bulk to ensure ready and sufficient supply of forms. Advertising and promotion expenses were also higher than normal. All expansion related expenses were incurred without any corresponding income generation. For 2010, expenses went up from P48.4M in 2009 to P71.3M in 2010, or a 47 percent increase.

MFC continues to be on track ending 2010 with Net Income After Tax of P12.4M, a modest 15 percent increase from its 2009 performance.

For the next 3 years, the Company is planning to capitalize on this growth by providing financing services in tandem with the aggressive expansion of its dealer-partners. The Philippine motorcycle industry is expected to grow on the double digit range. The improving Philippine economy will increase the purchasing power of the average Filipino while the rising gas prices have made purchasing motorcycles the more practical alternative to taking daily commutes. Motorcycle offer an alternative to public transportation and offer a more cost-effective way for the average Filipino to commute.

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

In 2011, the motorcycle financing side of the business continued to hold the biggest share in the total portfolio of the Company. MFC serviced a total of 30 motorcycle financing outlets by year end.

Taking off from the plans of our dealer-partners, MFC had projected being able to service thirteen (13) additional outlets in 2011. However, a number of adverse tell tale signs and incidents triggered the change in plans. The unrest in the Middle East plus the European & US economic crisis affected the Peso volatility and the job security of our OFWs which constituted a great percentage of our motorcycle financing market. Likewise, minimal government spending stunted economic growth and drastically affected our direct customers. Finally, Luzon experienced the highest number of typhoons and bad weather and this had adirect effect on our marketing efforts and the ability to collect from existing customers. As such, Management, in consultation with our dealer-partners, decided not to proceed with the planned expansion and focus instead with first growing and strengthening the Company's operations and services in existing outlets before embarking on another aggressive expansion.

Despite adversities cited above and stiffer competition encountered, volume of motorcycle units financed increased by 25%, from 5,008 motorcycle units in 2010 to 6,266 motorcycle units in 2011. The past five (5) years saw the steady growth of the motorcycle; industry growing 138% since the year 2007 in terms of the number of units sold. The local motorcycle population is now estimated at 4.5M, with a population of nearly 100 million Filipinos, the density ratio is about 34:1, which means that for every 34 Filipinos, one owns a motorcycle. Compared to Thailand and Vietnam which have a motorcycle density ratio of 3:1 and 4:1 respectively, the potential for growth in the Philippine motorcycle industry in the coming years is quite huge.

MFC continued to be on track ending 2011 with Net income After Tax of P13.8M, a 12% increase from its 2010 performance.

For the next three (3) years, the Company is planning to capitalize on this growth by providing financing services in tandem with the aggressive expansion of its dealer –partners as the Philippine motorcycle industry expects to grow on a double digit range. Likewise, the rising gas prices have made purchasing motorcycles the more practical alternative to taking daily commutes. Motorcycles offer an alternative to public transportation and offer a more cost-effective way for the average Filipino to commute.

The Company shall continue to explore other financial products and also continue to pursue the plan to expand into the savings bank sector. Meanwhile, our thrust is to ensure further growth in our motorcycle financing accounts. MFC also intend to do a modest uptake in the doctor's loan market and continue to maintain a strong quality portfolio in our factoring accounts.

MFC reiterates its commitment to providing a source of funding for consumers and businesses which are considered partners to their improved livelihood.

Operating Departments and Units

The Company has three (3) main operating units that represent each main business line. The following is a brief description of each:

Rx Cashline Group

The Rx Cashline group is mainly responsible for the Rx Cashline product. This group is tasked with: (i) sales and promotion of the Rx Cashline product to medical professionals, (ii) assist in credit application, investigation, evaluation, and recommendation, (iii) collection as well as (iv) research and development.

The Rx Cashline group also has a network of accredited referral agents that bring in qualified loan clients.

MFC Factors Group

The MFC Factors Group is responsible for running the receivables factoring business of the Company. Among its basic tasks are: (i) sales and promotion, (ii) credit application, investigation, evaluation, recommendation, and (iii) collection. The account officers are responsible for the research of businesses that seek to factor their receivables for extra liquidity. Factoring leads come from accredited referral agents as well as current clients.

MC Financing Group

The MC Financing Group is tasked with: (i) sales and promotion, (ii) credit application, investigation, evaluation, recommendation, and (iii) collection for the motorcycle financing business of the Company.

Business Operations

The Company's business operations involve: (a) sales and marketing; (b) evaluation and approval of loan applications; and (c) collection of loan accounts. The following discussion presents the various components of the Company's business operations.

Sales and Marketing

The Company's sales and marketing effort is led by the Account Officers/Credit Sales Representatives of each operating department. The AOs/CSRs are responsible for generating new loan accounts as well as monitoring the existing ones. Moreover, each account officer is tasked with generating and monitoring their accounts in their respective service areas.

In addition to the AOs/CSRs of each operating department, the Company also has a large network of accredited agents that refer loan applicants to the Company. The Company's network of referral agents includes both individuals and accredited institutions, such as medical organizations and distributors of medical and dental equipment.

As part of the Company's marketing efforts, the AOs/CSRs employ the following promotional tools: (i) direct mail; (ii) advertisements in trade publications; (iii) fax and e-mail marketing; (iv) tele-marketing; (v) door-to-door marketing; (vi) attendance of special events/trade shows; (vii) loan renewal program; and (viii) referral network and programs.

Loan Evaluation and Approval Process

For consumer finance companies, there is prime importance in a complete and adequate evaluation and stringent screening process for new loan applications. Given the country's economic environment, assessing credit risk and quality of new loan accounts become one of the core processes of finance companies such as MFC.

Along with a proprietary credit scoring system, MFC's in-house loan process evaluation includes business and residential visits and ocular inspections. The Company also verifies new loan applications with the Credit Management Association of the Philippines (CMAP) and the Credit Investigation Bureau, Inc. (CIBI) to determine if there exists negative credit findings on a loan applicant. The Account Officer then thoroughly analyzes the application and makes a recommendation.

The Company's Credit Committee makes the final decision on the application for Rx Cashline and MFC Factors group while the Branch Manager and the bookkeeper approves the application for MC Financing based on the AO/CSR's analysis. The Credit Committee is composed of the Senior Managing Director, the COO and the group heads.

Once an application has been approved by the Credit Committee, a check will be prepared for the loan release. The clients are notified of the approval before the loan is released. The clients are also requested to furnish some final documentation prior to the release of the funds. The post-dated checks and other loan requirements from the client are submitted to the cashier. If the required documents are clear and in order, the loan proceeds are then released to the client. Various documents are then provided by the various departments and groups to the Account Officers to facilitate in account monitoring and collection.

Once the MC Financing application is approved by the Branch Manager then various documentations are prepared for the release of the motorcycle unit. The borrower pays for the down payment, registration and the insurance, signs the chattel mortgages and other release forms before the units may be pulled out or delivered to the customer.

Loan Collection Process

Monitoring the loan accounts is the responsibility of the Account Officer or Credit Sales Representative of each of the operating departments. The subsidiary ledger of their respective approved clients contains the schedule of the loan amortization payments. Because the Rx Cashline clients have already given their post-dated checks for the loan repayments, the Account Officers are well advised of the status of each account. Account Officers are always updated on clients that have completed their amortization payments and those that have incurred returned-check payments. Clients whose checks have bounced are immediately advised by the Account Officer in charge to settle the payment as soon as possible with consequent late payment charges and handling fees. With this, it is important to take note that MFC normally evaluates the circumstances of bounced checks on a case-to-case basis to maintain profitable relations with their clients as much as possible. The Credit Sales Representatives, on the other hand, most often directly and personally collects the loan amortizations. Some customers prefer to pay directly to the branch office, but this is only a few.

Customers that do not remit payment on the due date are classified as past due accounts while those that are more than 90 days past due are reclassified as delinquent accounts. Legal action or foreclosure of collateral may be endorsed for accounts that turn delinquent. MC Financing clients' will have their motorcycles units repossessed for 60 days past due. Clients may get them back upon payment of amortization in arrears.

Despite instituting a firm and stringent credit and collection policy, the Company maintains its goal of providing quality service to its clients.

Item 2. Properties

As part of its normal operations, the Company acquires or forecloses on several properties that are mortgaged to secure customers' loans. There are no other mortgages or liens on these properties except those under the name of the Company. These properties have subsequently been transferred to the Company. The Company tries to eventually dispose or sell these properties. The list of these properties is found in the following table:

List of Foreclosed Properties as of December 31, 2011		
Location	**Size(Sqm)**	**Description**
Capitol Homesite Subd., Brgy. Cotta, Lucena City (2 lots)	561	Transferred
Bo. De Ocampo, Trece Martires City, Cavite	1,410	Transferred
LF Flores, Teachers Village, Brgy. Cotta, Lucena City (6 lots)	900	Transferred
TOTAL	**2,871**	

Item 3. Legal Proceedings

There are no legal proceedings against Makati Finance Corporation (referred to as 'the Company'), except collection and/or foreclosure cases in the normal course of its operations.

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

No matter that require voting decisions were submitted to the Security Holders in the fourth quarter of the year 2011.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Share Capital

The Company has an authorized capital of **[₱ 300,000,000]**, divided into **[300,000,000]** Common Shares, with a par value of ₱1.00 per share, out of which [**₱ 193,474,645**], divided into **[193,474,645]** shares are issued and outstanding.

Subject to the authorization of the SEC, the Company may increase or decrease its authorized capital with the approval of a majority of the Board of Directors and Stockholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the Company.

Amendments to Authorized Capital Stock and Par Value

In year 2000, the BOD and stockholders approved, as part of the quasi-reorganization, the decrease in the Company's authorized capital stock of ₱100,000,000, with a subscribed and paid-up capital of ₱45,149,780 to ₱9,949,040 with a subscribed and paid-up capital of ₱2,487,260. There was no return of capital, thus, the surplus arising from the reduction in the capital amounting to ₱ 42,662,520 was credited to additional paid-in capital.

On the same date, the BOD and stockholders approved the increase in the Company's authorized capital stock from ₱9,949,040 to ₱127,000,000, divided into 12,700,000 common shares with a par value of ₱10 per share.

On January 23, 2001, the Company issued additional 3,198,535 shares to the shareholders against their deposits for future subscriptions amounting to ₱87,078,288, resulting to an additional paid-in capital of ₱55,092,938.

On the same date, the Securities and Exchange Commission (SEC) approved the quasi-reorganization as described above.

Accordingly, upon such approval, the additional paid-in capital amounting to ₱97,781,211 as of that date was applied against the Company's deficit as of July 31, 2000 amounting to ₱97,781,211.

On December 11, 2001, the BOD and stockholders approved the reduction in the Company's authorized capital stock from ₱127,000,000 to ₱100,000,000 and from par value of ₱10 per share to ₱ 1 per share. On March 11, 2002, the BOD and stockholders amended the proposed reduction in the Company's authorized capital stock from ₱127,000,000 to ₱90,000,000 and from par value of ₱10 per share to ₱1 per share. The reduction in authorized capital stock was approved by the SEC on May 9, 2002. The reduction in par value resulted in the issuance of 31,025,349 additional shares to existing shareholders.

Also on March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small & Medium Enterprise Board on January 6, 2003 with an offer price of PhP1.38 per share. Underwriter was Abacus Capital & Investment Corporation.

On November 6, 2007, the Board of Directors and stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Company approved the increase in the Company's authorized capital stock from ₱90,000,000 divided into 90,000,000 Shares, with a par value of ₱1.00 per share, to ₱300,000,000, divided into 300,000,000 Shares, with a par value of ₱1.00 per share.

Stock Dividends

On December 11, 2001, the BOD and stockholders declared stock dividends in the aggregate amount of ₱20,785,475 in favor of the stockholders of record as of May 31, 2002, with any fractional shares to be paid in cash.

Cash and stock dividends were declared in 2007, 2006 and 2005 equivalent to 30% of the Company's net income after tax. There was no sale of unregistered securities within the last three years.

On November 6, 2007, the Company declared stock dividends in the aggregate amount of **₱ 6.9** million out of the unrestricted retained earnings of the Company as of October 31, 2007 in favor of the stockholders of record as of December 31, 2006 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

The Company also declared on November 6, 2007, stock dividends in the aggregate amount of **₱ 50.2** million out of the unrestricted retained earnings of the Company as of October 31, 2007 in favor of stockholders of record as of November 27, 2007 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

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 P2,257,147. Fractional shares related to this declaration were settled in cash.

On June 04, 2009, the Company declared stock dividends in the aggregate amount of P819,716 out of the unrestricted retained earnings of the Company as of December 31, 2008 in favor of stockholders of record as of July 2, 2009 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

On June 24, 2010, the BOD approved the declaration of 0.84% stock dividends in the amount of ₱1,612,240 to stockholders of record as of July 19, 2010 with distribution date not later than August 16, 2010. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱ 1,612,316. Fractional shares related to this declaration were settled in cash amounting to ₱76.

On June 23, 2011, the BOD approved declaration of 0.96% stock dividends amounting to 0.957897067l% of the outstanding capital stock equivalent to a maximum of 1,853,287.95 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of 21 July 2011 with a payment date not later than 15 August 2011. Fractional shares were paid in cash. . On the same date, the BOD also approved declaration of Cash Dividends in the amount of P1,853,287.95 or an equivalent of P0.009578971 per share (0.9578970671%) to stockholders of record as of 21 July 2011 with a payment date of 15 August 2011. Both dividends were paid out of the audited net profits of the Corporation as of December 31, 2010.

The movements in the number of shares and capital stock amount for the years ended December 31, 2011, 2010 and 2009 as follow:

	2011		2010		2009	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	**193,474,645**	**193,474,645**	191,862,405	191,862,405	191,042,689	191,042,689
Increase in number of shares as a result of reduction in par value				–	–	–
Stock dividends	**1,853,245**	**1,853,245**	1,612,240	1,612,240	819,716	819,716
Issuance	-	-	–	–	–	–
Balance at end of year	**195,327,890**	**195,327,890**	193,474,645	193,474,645	191,862,405	191,862,405

Share Prices:

First Quarter, 2012	**High**	**Low**
Market Price		
	₱ 2.60	**₱ 2.40**

HOLDERS OF COMMON STOCK As of December 31, 2011
TOP 20 Stockholders

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INV. BANCORP.	FIL	A	137,050,820	70.164491%
MF PIKEVILLE HOLDINGS INC.	FIL	A	13,617,635	6.971680%
MICHAEL WEE	FOR	A	7,939,097	4.064497%
BORROMEO BROS. ESTATE INC.	FIL	A	6,269,592	3.209778%
ERIC B. BENITEZ	FIL	A	5,350,773	2.739380%
MELLISSA B. LIMCAOCO	FIL	A	4,802,330	2.458599%
RENE B. BENITEZ	FIL	A	4,572,329	2.340848%
GLENN B. BENITEZ	FIL	A	4,572,329	2.340848%
PCD NOMINEE CORPORATION	FIL	A	3,725,660	1.907388%
JOEL FERRER	FIL	A	1,932,754	0.989492%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	947,197	0.484927%
REYES, MARY GRACE V.	FIL	A	580,000	0.296937%
TERESITA B. BENITEZ	FIL	A	377,019	0.193019%
MERG REALTY DEVELOPMENT	FIL	A	331,526	0.169728%
FLB DEVELOPMENT CORPORATION	FIL	A	262,457	0.134367%

ISIDRO B. BENITEZ	FIL	A	242,944	0.124378%
GLENN B. BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	228,596	0.117032%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	228,596	0.117032%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	228,596	0.117032%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	228,596	0.117032%
SUB-TOTAL			**193,488,846**	**99.058484%**
OTHER STOCKHOLDERS (80)			1,839,044	0.941516%
GRAND TOTAL (100 stockholders)			**195,327,890**	**100.00%**

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

Plans and Prospects for 2012

The Company intends to continue to ride in the growth of the Philippine motorcycle industry. Thus the 2012 plan of MFC together with its dealer partner includes a gradual expansion in various geographical reach of an additional of not less than six (6) new trading areas staggered throughout the whole of 2012. We expect to grow our Rx Cash line product in the double digit range in 2012.

We shall continue to explore other financial products and we also continue to pursue the plan to explore into the savings bank sector. Meanwhile, our current thrust is to pursue further growth in our motorcycle financing accounts. We will continue to 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 trading areas in the southern area of Luzon.
- Expand geographical reach through development of new trading areas now in the northern area of Luzon.
- Implement the expansion of target markets to municipalities beyond Metro Manila
- Continuous growth in the portfolios of the Company's two (2) main credit facilities (Motorcycle Financing and Rx Cash Line)

- Continue maintaining good quality accounts in our high ticket facility (Factoring)

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. We currently have a P500 million facility with AIB, a P50 million term loan and P10 million BP facility with UCPB and the P4 million term loan & P1 million BP facility with Union Bank and a P30 million term loan with Maybank. The Company, with the assistance of AIB, is in discussions with other financial institutions to raise additional funds to finance MFC's growth.

Currently 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.

Discussion of Past Financial Performance

<u>As of December 31, 2011</u>

Results of Operation

MFC ended the year 2011 with Net Income after Tax at P13.82 million. This was an increase against the 2010 NIAT of P12.36 million, or a 12% increase . Interest income in 2011 amounted to P156.6 million from our 3 major products: P16.9 million from Rx, P8.3 million from Factors and P128.0 million from Motorcycle Financing.

Midway in the year, Management decided to defer its projected geographical expansion due firstly to a slowdown in the economies world-wide. The economic contractions were prominent in Europe, USA and Japan. Additionally, the continued unrests erupting in various areas in the Middle East brought a level of uncertainties and lack of job security for a lot of our Overseas Filipino Workers. All these add up to the Peso volatility which greatly affected a bulk of our motorcycle customers. Secondly, minimal government spending stunted economic growth as well as the spending capability of most of our customers. And thirdly, Luzon was battered with a lot of typhoons and bad weather which directly impacted client solicitations and collection efficiencies.

MFC then took this opportunity to focus on strengthening the operations and services of its existing outlets. It went into the re-aligning of functions & responsibilities and strengthening of operational controls. Management also focused on improving and beefing up manpower on its back-room operations and completing the conversion of the manual financing system to an automated one.

With the resulting income in 2011, Earnings Per Share in 2011 was a slight increase at P0.07. Likewise, Return on equity (ROE) in 2011 was at 6% while Return on Assets was 1.5%.

Financial Condition and Capital Resources

In 2011 total assets increased by P238.2 million as against that in 2010, from P666.7 million to P904.9 million. This increase was primarily due to the increase in our loan portfolio of products being offered. An increase in our portfolio necessitated for an increase in our borrowings which resulted in the noticeable increase in our notes payable by P251.9 million compared to that in 2010.

Interest Income

The interest income this year was up by 57% or P46.03 million in absolute amounts P80.92 million in 2010 to P126.95 million in 2011.

Net Interest Income

Interest expense decreased 7.66 percent or P2.46 million as against that in 2010. The Company decreased in interest expense from P32.1 million to P29.6 million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income decreased by ₱.12 million or 1.31% from December 2010.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 21.66% from December 2010.

Net Income

The Company posted a net income of ₱ 13.83 million compared to ₱ 12.36 million in 2010 or an increase of 11.9%.

<u>**As of December 31, 2010**</u>

Results of Operation

The audited financial statements of the Company reflected Net Income after tax for the year ending December 31, 2010 at P12.36 million. This was a 15% increase over the NIAT of 2009, or an increase of P1.61 million.

The Company continued to implement its geographical expansion for the Motorcycle Financing line. Sixteen (16) new trading areas were established by our dealer partners in 2010 making a total of twenty eight (28) trading areas, where MFC absorbed all their financing transactions. The company has now a wider reach in the offer of its services resulting in a rise in amounts financed and the corresponding rise in income generation.

Operating income went up to P80.92 million from P58.18 million in 2009, a 39% increase in 2010 performance which was expected with the more than double geographical reach. Expenses likewise spiked up from P48.38 million in 2009 to P71.26 million in 2010. Expansion-related expenses like salary and compensation related expenses, recruitment and training costs, advertising and marketing costs, depreciation costs for new fixed assets, office supplies and forms that needed to be stocked up on and other overhead costs to support the increased number of trading areas were noted to be high. These expansion-related up-front costs were incurred sans corresponding equitable income recognition

Financial Condition and Capital Resources

In 2010 total assets increased by P212.0 million as against that in 2009, from P454.6 million to P666.6 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 P165.2 million and other payables by P33.3 million as compared to that in 2009 which increased activities due to the geographical expansion in our trading areas.

Interest Income

The interest income this year was up by 62% from interest income for the year 2009.

Net Interest Income

Interest expense increased by 174 percent. The Company's reduction in net interest income is attributable mainly with the increased in interest expense by ₱20.4million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income decreased by ₱.3million or 4.4% from December 2009.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax decreased by 2.6.1% from December 2009.

Net Income

The Company posted a net income of ₱ 12.36 million compared to ₱ 10.75 million in 2009 or an increase of 15%.

<u>**As of December 31, 2009**</u>

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%.

Item 7. Financial Statements

The audited financial statements are herewith attached as "ANNEX A".

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

There are none.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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, 85, 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, 62, 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, 77, 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, 63, 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, 50, 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, 58, 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, 75, 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, 76, Singaporean, has served as a Director since 1998. Mr. Wee is a senior ASEAN banker and retired Executive Chairman of Development Bank of Singapore Securities Holding PTE Ltd. He has held the positions of the Chairman of NatSteel Ltd., Deputy Chairman of DBS Land, Executive Vice President of the Development Bank of Singapore, General Securities Investments Ltd., Singapore Bus Service Ltd., Laguna National
Golf and Country Club, Ltd. and was the Director of NFC Merchant Bank, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of Birmingham and obtained his Masters Degree in Finance from the University of British Colombia.

Mr. Jose V. Cruz, 77, Filipino, has served as a Director since 2010. Mr. Cruz is currently the President and CEO of Amalgamated Investment Bancorporation ("AIB"). Prior to joining AIB, he has had extensive experience in foreign and local investment banking, commercial banking, and capital market operations,having been based in New York, London, the Middle East, Singapore, and Hongkong. He was formerly Managing Director in AIA Capital Corporation, a Hongkong based regional investment bank (focused on corporate finance in Asia) previously owned by the publicly listed pan-Asian insurance group, AIA Group Limited. He was also a Board Member of AIA Capital's investment banking subsidiaries located in Taiwan, India, and the Philippines. Prior to AIA Capital, he was Senior Vice President of AFC Merchant Bank, a Singapore-based consortium bank owned by leading Southeast Asian banks, including DBS Bank, Bangkok Bank, and Malayan Bank. He was previously Vice President and CFO of MERALCO and a Board member of Royal Dutch Shell's subsidiary in the Philippines. He started his career as an officer in the 1970s in Citigroup (then called Citibank) head office, New York. He received his MBA from Columbia University, New York City.

Mr. Eric B. Benitez, 45, Filipino, has served as a Director since 2011.

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 2010 Annual Stockholders' Meeting.

Senior Management

Ms. Cynthia M. Gacayan – *Chief Operating Officer, 57, 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, 43, 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 the Corporate Secretary and legal counsel of Information Capital Technology Ventures, Inc., a publicly-listed company, and a Director and/or Corporate Secretary of several other Philippine corporations, including Western Roadhouse Foods, Inc., Papercon, Inc., Amalgamated Investment Bancorporation and Kalayaan College. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

Item 10. Executive Compensation

The Company has an existing management contract with Honda Motor World for advice and assistance in the MC Financing product assisted by Mr. Max O. Borromeo, Senior Managing Director and with Pikeville, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Managing Director. Each of the directors receive per diem amounting to ₱50,000 for every Board meeting they attend.

Executive Compensation (Amounts in ₱)		
Year	**Name and Principal Position**	**Aggregate Compensation (₱)**
For the twelve (12) Months Ended December 31, 2011 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**8,443,000**
	All Board Directors and Officers as a Group	**9,282,000**
For the twelve (12) Months Ended December 31, 2010 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**7,808,000**
	All Board Directors and Officers as a Group	**8,880,000**
For the twelve (12) Months Ended December 31, 2009 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director	

	Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**6,029,000**
	All Board Directors and Officers as a Group	**6,789,000**
For the twelve (12) Months Ended December 31, 2008 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**6,029,000**
	All Board Directors and Officers as a Group	**6,669,000**

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. BOD AND OFFICERS OWNING MORE THAN 5% EQUITY

Title and Class		No. of Shares	% to Total
	DIRECT		
Common	Amalgamated Investment Bancorporation	**138,014,336**	70.657772%
Common	Pikeville Bancshares	**13,863,607**	7.097608%
	TOTAL	**151,877,943**	**77.755380%**
	INDIRECT		
	NONE	-	0%
	TOTAL	**151,877,943**	**77.755380%**

B. BOD AND OFFICERS WITH DIRECT OWNERSHIP

Title/Class		No. of Shares	% to Total
Common	Michael Wee Son Lock	**8,082,498**	4.137913%
Common	Eric B. Benitez	**5,447,422**	2.788860%
Common	Rene B. Benitez	**4,654,955**	2.383149%
Common	Rene B. Benitez in trust for: Carmela L. Benitez	**232,705**	0.119136%
Common	Rene B. Benitez in trust for: Lorenzo L. Benitez	**232,705**	0.119136%
	Rene Benitez	**5,120,365**	**2.621420%**
Common	Joel S. Ferrer	**1,967,664**	1.007364%
Common	Teresita B. Benitez	**390,001**	0.199665%
Common	Isidro B. Benitez	**247,331**	0.126623%
Common	Max O. Borromeo	**393,712**	0.201565%
Common	Juan Carlos del Rosario	**29**	0.000015%
Common	Francisco C. Eizmendi Jr.	**15**	0.000008%
Common	Atty. Eugenio E. Reyes	**15**	0.000008%

Common	Jose V. Cruz	**1**	0.000001%
		21,649,053	11.083442%

C. BOD AND OFFICERS WITH INDIRECT OWNERSHIP

Title/Class		**No. of Shares**	**% to Total**
Common	Rene B. Benitez	**207,997**	0.106486%
Common	Eric Benitez	**74,881**	0.038336%
Common	Teresita B. Benitez	**348,117**	0.178222%
Common	Maximo O. Borromeo	**790,795**	0.404855%
Common	Isidro B. Benitez	**711,752**	0.364388%
	TOTAL	**2,133,542**	**1.092287%**

Makati Finance Corporation complied with the minimum percentage requirements of listed securities held by the public of 10% of the listed company's issued and outstanding share. The Company will endeavor to increase its public float.

Item 12. Certain Relationships and Related Transactions

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons.

Related Party 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	**2011**	2010	**2011**	2010
AIB	Stockholder/Parent Company	Receivables	**₱ 101,007**	₱101,007	**₱**	₱
		Dividend income	-	-	**3,600,000**	-
Motor Ace Philippines, Inc	Affiliate	Accounts Payable	**14,501,287**	-	-	-
Pikeville .	Affiliate	Professional fees	-	-	**938,000**	868,000
		Receivable	**112,000**	-	-	-
Others	Directors	Notes Payable	**29,934,355**	**29,855,501**	-	-
		Interest expense	-	-	**2,456,960**	82,538
	Stockholders	Notes Payable	**6,200,000**	5,000,000	-	-
		Interest Expense	-	-	**1,742,542**	899,194
	Key Management personnel	Notes Payable	**2,500,000**	1,000,000	-	-
		Interest expense	-	-	**150,853**	65,000

PART IV - EXHIBITS AND SCHEDULES

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

(a) Exhibits

The Company's audited financial statements are hereby attached as "ANNEX A".

(b) Reports on SEC Form 17-C

The reports on SEC Form 17-C filed during the last six months ended December 31, 2011 are hereby attached "ANNEX B".

Quarterly Financial Reports ending March 31, 2011 were submitted to the SEC on May 09, 2011; quarterly ending June 30, 2011 on August 12, 2011 and for the quarter ending September 30, 2011 on November 10, 2011.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANNEX A

COVER SHEET

2 8 7 8 8

SEC Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

2nd Floor, Makati Finance Centre,
7823 Makati Avenue, Makati City

(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

100
Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Makati Finance Corporation, which comprise the statements of financial position as at December 31, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 1 6 2012
ERNALYN G. DELA CRUZ
ASSESSMENT SECTION
RR NO. 8 RDO 49 NORTH MAKATI

SGV & Co
Ernst & Young

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation as at December 31, 2011 and 2010, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Makati Finance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez
Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A (Group A)
July 23, 2009, Valid until July 22, 2012
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 31748152641550, January 2, 2012, Makati City

March 27, 2012

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 16 2012
ERNALYN G. DELA CRUZ
ASSESSMENT SECTION
RR NO. 8 RDO 49 NORTH MAKATI

MAKATI FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31 2011	December 31 2010
ASSETS		
Cash on Hand and in Banks (Note 7)	**₱31,701,374**	₱22,085,397
Loans and Other Receivables (Note 8)	**740,071,001**	545,871,242
Available-for-Sale Investments (Note 9)	**75,150,000**	75,150,000
Investment Properties (Note 10)	**2,604,468**	2,604,468
Investment in Subsidiaries (Note 11)	**100,000**	100,000
Property and Equipment (Note 12)	**7,829,527**	6,639,210
Deferred Tax Assets (Note 21)	**10,549,898**	4,157,560
Other Assets (Note 13)	**36,916,363**	10,083,681
	₱904,922,631	₱666,691,558
LIABILITIES AND EQUITY		
Liabilities		
Notes payable (Notes 15 and 22)	**₱618,095,937**	₱366,142,786
Accounts payable (Note 22)	**22,564,527**	61,529,430
Accrued expenses (Note 16)	**18,152,394**	10,993,239
Income tax payable	**9,673,646**	2,785,076
Pension liability (Note 19)	**994,970**	1,774,261
	669,481,474	443,224,792
Equity (Note 18)		
Capital stock - ₱1 par value	**195,327,890**	193,474,645
Additional paid-in capital	**5,803,922**	5,803,922
Retained earnings	**34,409,345**	24,288,199
Net unrealized loss on available-for-sale investments (Note 9)	**(100,000)**	(100,000)
	235,441,157	223,466,766
	₱904,922,631	₱666,691,558

See accompanying Notes to Financial Statements.

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RR NO. 8 RDO 49 NORTH MAKATI

MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
INTEREST INCOME (Notes 7 and 8)	**₱156,570,939**	₱113,002,063	₱69,866,624
INTEREST EXPENSE (Notes 15 and 22)	**29,625,753**	32,086,742	11,685,638
NET INTEREST INCOME	**126,945,186**	80,915,321	58,180,986
OTHER INCOME			
Dividends (Note 9)	**3,600,000**	7,300	7,300
Service charges	**1,365,657**	2,078,130	5,022,798
Net gain on sale of investment properties and property and equipment (Note 10)	–	1,479,043	–
Miscellaneous (Note 20)	**4,018,690**	5,538,688	2,326,913
TOTAL OTHER INCOME	**8,984,347**	9,103,161	7,357,011
TOTAL OPERATING INCOME	**135,929,533**	90,018,482	65,537,997
OPERATING EXPENSES			
Salaries and employee benefits (Notes 19 and 22)	**33,913,896**	22,506,133	12,098,805
Management and professional fees (Note 22)	**13,696,011**	10,401,479	7,154,990
Loss from sale and writedown of motorcycle inventories (Note 13)	**13,254,167**	7,812,039	4,687,799
Taxes and licenses	**12,597,156**	7,940,861	4,437,722
Provision for credit losses (Note 14)	**11,109,652**	5,118,007	5,496,471
Commissions	**6,295,034**	4,414,422	2,996,692
Travel and transportation	**5,270,858**	2,422,324	1,711,552
Depreciation and amortization (Notes 10 and 12)	**4,081,031**	4,431,965	3,896,588
Occupancy costs (Note 25)	**3,814,053**	2,679,986	1,675,528
Entertainment, amusement and recreation (Note 21)	**1,627,795**	1,098,574	1,583,632
Amortization of software costs (Note 13)	**595,296**	478,491	464,490
Miscellaneous (Note 20)	**10,538,138**	4,984,648	3,182,777
TOTAL OPERATING EXPENSES	**116,793,087**	74,288,929	49,387,046
INCOME BEFORE INCOME TAX	**19,136,446**	15,729,553	16,150,951
PROVISION FOR INCOME TAX (Note 21)	**5,308,724**	3,374,300	5,402,433
NET INCOME	**13,827,722**	12,355,253	10,748,518
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱13,827,722**	₱12,355,253	₱10,748,518
Basic/Diluted Earnings Per Share (Note 23)	**₱0.07**	₱0.06	₱0.06

See accompanying Notes to Financial Statements.

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MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-In Capital	Retained Earnings (Note 18)	Net Unrealized Loss on Available-For-Sale Investments (Note 9)	Total Equity
Balance at January 1, 2011	**₱193,474,645**	**₱5,803,922**	**₱24,288,199**	**(₱100,000)**	**₱223,466,766**
Stock dividends (Note 18)	**1,853,245**	–	**(1,853,245)**	–	–
Cash dividends (Note 18)	–	–	**(1,853,331)**	–	**(1,853,331)**
Total comprehensive income for the year	–	–	**13,827,722**	–	**13,827,722**
Balance at December 31, 2011	**₱195,327,890**	**₱5,803,922**	**₱34,409,345**	**(₱100,000)**	**₱235,441,157**
Balance at January 1, 2010	₱191,862,405	₱5,803,922	₱15,157,502	(₱100,000)	₱212,723,829
Stock dividends (Note 18)	1,612,240	–	(1,612,240)	–	–
Cash dividends (Note 18)	–	–	(1,612,316)	–	(1,612,316)
Total comprehensive income for the year	–	–	12,355,253	–	12,355,253
Balance at December 31, 2010	₱193,474,645	₱5,803,922	₱24,288,199	(₱100,000)	₱223,466,766
Balance at January 1, 2009	₱191,042,689	₱5,803,922	₱6,048,512	(₱100,000)	₱202,795,123
Stock dividends (Note 18)	819,716	–	(819,716)	–	–
Cash dividends (Note 18)	–	–	(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

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱19,136,446**	₱15,729,553	₱16,150,951
Adjustments for:			
Provision for credit losses (Note 14)	**11,109,652**	5,118,007	5,496,471
Depreciation and amortization (Notes 10 and 12)	**4,081,031**	4,431,965	3,896,588
Dividend income (Note 9)	**(3,600,000)**	(7,300)	(7,300)
Amortization of software costs (Note 13)	**595,296**	478,491	464,490
Loss on write-off of software cost (Notes 13 and 20)	**101,606**	–	–
Gain on sale of investment properties and property and equipment (Note 10)	–	(4,211,135)	–
Loss on write-off of investment properties (Note 10)	–	2,732,092	–
Operating income before changes in working capital	**31,424,031**	24,271,673	26,001,200
Changes in operating assets and liabilities:			
Increase in:			
Loans and other receivables	**(205,309,411)**	(211,034,912)	(98,096,038)
Other assets	**(28,593,974)**	(3,444,933)	(1,234,812)
Decrease (increase) in:			
Accounts payable	**(38,964,903)**	31,717,941	21,867,246
Accrued expenses	**7,159,155**	3,345,393	932,620
Pension liability	**(779,291)**	824,394	–
Net cash used in operations	**(235,064,393)**	(154,320,444)	(50,529,784)
Income taxes paid	**(4,812,492)**	(5,289,040)	(6,582)
Net cash used in operating activities	**(239,876,885)**	(159,609,484)	(50,536,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(3,833,978)**	(3,571,190)	(1,603,005)
Software costs (Note 13)	**(483,807)**	(420,000)	–
Cash dividends received	**3,600,000**	7,300	7,300
Proceeds from sale of:			
Property and equipment	**110,827**	–	–
Investment properties	–	6,349,471	–
Net cash provided by (used in) investing activities	**(606,958)**	2,365,581	(1,595,705)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of notes payable	**458,337,524**	231,369,502	84,525,545
Payments of notes payable	**(206,384,373)**	(66,124,664)	(28,953,522)
Cash dividends paid (Note 18)	**(1,853,331)**	(1,612,316)	(819,812)
Net cash provided by financing activities	**250,099,820**	163,632,522	54,752,211
NET INCREASE IN CASH ON HAND AND IN BANKS	**9,615,977**	6,388,619	2,620,140
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	**22,085,397**	15,696,778	13,076,638
CASH ON HAND AND IN BANKS AT END OF YEAR (Note 7)	**₱31,701,374**	₱22,085,397	₱15,696,778

(Forward)

	Years Ended December 31		
	2011	2010	2009
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest income received	**₱152,570,939**	₱109,363,082	₱66,241,890
Interest expense paid	**32,418,496**	21,806,903	9,970,061

See accompanying Notes to Financial Statements.

1. General Information

Makati Finance Corporation (the Company) was incorporated in the Philippines 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 (PSE) 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 23, 2011 and authorized for issue by the Board of Directors (BOD) on March 27, 2012.

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).

Presentation of Financial Statements
The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, 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.

Income and expense are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretation of International Financial Reporting Interpretation Committee (IFRIC) which were adopted as of January 1, 2011. Except as otherwise indicated, these changes in accounting policies did not have any significant impact on the Company financial statements.

PAS 24, *Related Party Transactions* (Amendment)
PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

PAS 32, *Financial Instruments: Presentation* (Amendment)
The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- PFRS 7, *Financial Instruments - Disclosures*
  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflects the revised disclosure requirements in Note 5.

- PAS 1, *Presentation of Financial Statements*
  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income (OCI) maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of onward credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Significant Accounting Policies

Cash on Hand and In Banks
Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Company recognizes financial assets or financial liabilities in the statement of financial position 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 financial instruments measured at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial instruments in the following categories: Financial assets at FVPL, AFS investments, held-to-maturity (HTM) investments, loans and receivables, financial liabilities at FVPL and financial liabilities 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 financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2011 and 2010, the Company has no outstanding financial assets at FVPL, financial liabilities at FVPL and HTM investments.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting 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), if any, in the statement of comprehensive income unless it qualifies for recognition as some other

type of asset. In cases when the fair value is determined using data which are not observable, the difference between the transaction price and the 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 non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to statement of financial position captions, 'Cash on hand and in banks' and 'Loans and other receivables'.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest 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 effective interest rate (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 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.

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.

Unearned interest income is shown as a deduction from 'Loans and receivables'.

AFS investments
AFS investments are those nonderivative financial assets that are designated as such or are not classified as financial assets at FVPL, HTM investments or loans and receivables. 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 subsequently measured at fair value. The unrealized gains or losses arising from the fair valuation of AFS investments are excluded from reported income and are reported as 'Net unrealized loss on AFS investments' in OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in the statement of comprehensive income. Dividends earned are recognized in the statement of comprehensive income when the Company's right to receive payment is established. Impairment losses arising from impairment of such investments are recognized in the statement of comprehensive income.

Other financial liabilities
Other financial liabilities are financial liabilities not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This accounting policy applies primarily to the Company's notes payable, accounts payable and accrued expenses.

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:

1. the rights to receive cash flows from the asset have expired;
2. the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over 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.

Impairment of Financial Assets
The Company assesses at each reporting 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 an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be accrued based on the original EIR of the asset. Loans and 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 impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment 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 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 impairment 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 investments
In the case of equity securities classified as AFS investments, 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 OCI. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in OCI.

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 investments 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, including import duties, taxes and any directly attributable costs of bringing the item of property and equipment to its working condition and location for its intended use. Expenditures incurred after items of 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.

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, an impairment loss is recognized in the statement of comprehensive income (see accounting policy on Impairment of Nonfinancial Assets).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

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 asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value.

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.

Foreclosed properties are classified under investment properties on foreclosure date.

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

Investment properties are derecognized when it has either been disposed of or when it 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.

Motorcycle Inventories
The Company forecloses the chattel mortgages attached to the loans pertaining to the Motorcycle (MC) Financing upon default. The Company recognizes motorcycle inventories at their net realizable value based 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 to be incurred to make the sale have increased. The excess of the cost over the net realizable value is recognized as a loss from writedown of motorcycle inventories in the statement of comprehensive income.

Software Costs
Software costs, included under "Other assets" account in the statement of financial position, 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 Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its property and equipment, investment properties, investment in subsidiaries and software cost 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 (CGU'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 CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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.

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 to the revaluation increment of the said asset.

An assessment is made at each reporting 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

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.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to a 'Paid-in premium account'.

Retained earnings include all accumulated profits or losses of the Company less any dividends declared.

Dividends on Common Shares
Cash on common shares are recognized as a liability and deducted from equity when approved by the BOD and shareholders of the Company. Stock dividends are deducted from retained earnings when approved by the BOD and shareholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting period.

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 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 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.

Miscellaneous income
Miscellaneous income represents other gains or revenues recognized as earned or collected and upon rendition of the service.

Expenses
Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Company. Expenses are recognized when incurred.

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 lessor
Finance leases, where the Company transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease.

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.

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

<u>Retirement Cost</u>
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 statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation 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.

Income Taxes

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 at the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date 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, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), if any, and unused net operating loss carryover (NOLCO), if any, to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting 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 reporting date.

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

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.

Related Party Relationships and Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on term similar to those offered to non-related parties.

Events after Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting 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.

Standards Issued but not yet Effective
Standards issued but not yet effective as of December 31, 2011 are listed below. This listing of standards and interpretations issued are those which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards and interpretations when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these standards and interpretations to have significant impact on its financial statements.

PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

PAS 19, *Employee Benefits* (Amendment)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 12, *Disclosure of Interests with Other Entities*
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation 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. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the real estate industry is completed.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

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.

<u>Judgments</u>

(a) *Classification of financial instruments*
The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

(b) *Fair values of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position 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.

(c) *Financial assets not quoted in an active market*
The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

(d) *Operating leases*
Company as a lessee
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).

Company as a lessor
The Company has entered into commercial property leases. The Company has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that the Company retains all significant risks and rewards of ownership of the properties it leased out on operating leases.

(e) *Contingencies*
The Company may incur contingent liabilities arising from preliminary assessment notice from the Bureau of Internal Revenue (BIR). Management does not anticipate losses from these contingencies that would adversely affect the financial position (see Note 24).

Estimates

(a) *Impairment of AFS equity investment*
The Company treats AFS equity investments 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 20.0% or more and 'prolonged' greater than 12 months. 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, 2011 and 2010, net of allowance for impairment losses amounting to ₱3.23 million (see Note 9).

(b) *Valuation of unquoted equity investments*
The Company's investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. As of December 31, 2011 and 2010, unquoted equity securities amounted to ₱75.00 million. The Company has no intention of disposing unquoted equity securities held for which active market is not available (see Note 9).

(c) *Credit losses on 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 EIR. 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 ₱740.07 million and ₱545.87 million as of December 31, 2011 and 2010, respectively, net of allowance for credit losses amounting to ₱17.17 million and ₱6.06 million, respectively (see Note 8).

(d) *Impairment of property and equipment, investment properties, investment in subsidiaries and software cost*
The Company assesses impairment on assets 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, investment properties, investment in subsidiaries, and software cost amounted to ₱7.83 million, ₱2.60 million, ₱0.10 million, and ₱1.55 million, respectively, as of December 31, 2011 and ₱6.64 million, ₱2.60 million, ₱0.10 million and ₱1.77 million, respectively, as of December 31, 2010 (see Notes 10, 11, 12 and 13). As of December 31, 2011 and 2010, the allowance for impairment losses on investment properties and investments in subsidiaries amounted to ₱1.02 million and ₱2.00 million, respectively (see Notes 10 and 11). No impairment loss was recognized on property and equipment and software cost in 2011 and 2010.

(e) *Writedown of motorcycle inventories*
The Company recognizes loss on writedown of motorcycle inventories at a level considered adequate to reflect the excess of cost of motorcycle inventories over their NRV. NRV of inventories are assessed regularly based on the prevailing selling prices less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

As of December 31, 2011 and 201, the carrying value of motorcycle inventories amounted to ₱34.38 million and ₱7.66 million, net of loss on writedown of ₱4.23 million and ₱2.66 million, respectively (see Note 13).

(f) *Recognition of deferred tax assets*
The Company reviews the carrying amounts of deferred taxes at each reporting 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 ₱10.55 million and ₱4.16 million as of December 31, 2011 and 2010, respectively (see Note 21).

(g) *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, 2011 and 2010, the present value of the retirement obligation amounted to ₱2.51 million and ₱2.56 million, respectively (see Note 19).

(h) *Estimating useful lives of property and equipment, investment properties and software cost*
The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties 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 properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 2.

4. Fair Value Measurement

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 approximate 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 significant 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 equity shares - Carrying amounts (cost less allowance for impairment losses) approximate fair values due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

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

The Company's financial assets recognized at fair value (i.e., AFS investments), analyzed between those whose fair value is based on:

- Quoted prices in active markets for identical assets (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived prices) (Level 2); and
- Those with inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

Quoted equity securities classified as AFS investments are measured based on Level 1. In 2011 and 2010, there were no transfers of financial instruments between Level 1 and Level 2.

No instruments were measured based on Level 3 and there were no transfers in and out of level 3 for 2011 and 2010.

5. Financial Risk Management Objectives and Policies

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

Credit Risk
Credit risk and concentration of assets
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 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 the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	2011			2010		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and other receivables						
Receivable from customers:						
Consumer	**₱912,935,350**	**₱532,213,446**	**₱380,721,904**	₱606,686,500	₱372,124,612	₱234,561,888
Services	**145,559,854**	**10,605,649**	**134,954,205**	135,066,997	85,362,885	49,704,112
Construction	**21,870,691**	**19,250,000**	**2,620,691**	35,472,269	23,584,864	11,887,405
Manufacturing	**2,974,600**	**549,122**	**2,425,478**	6,224,579	4,465,370	1,759,209
	₱1,083,340,495	**₱562,618,217**	**₱520,722,278**	₱783,450,345	₱485,537,731	₱297,912,614

Except for receivable from customers, the carrying values of the Company's other financial assets as reflected in the statements of financial position as of December 31, 2011 and 2010 represent the financial asset's maximum exposure to credit risk, since these are unsecured.

The tables below show a comparison of the credit quality of the Company's financial assets (gross of unearned interest income, client's equity and allowance for impairment losses) as of December 31:

<u>2011</u>

	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Available-for-sale investments	**₱75,150,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱75,150,000**
Loans and other receivables						
Cash in banks	**23,612,118**	**–**	**–**	**–**	**–**	**23,612,118**
Receivable from customers:						
Consumer	**876,701,925**	**–**	**–**	**29,543,166**	**6,690,259**	**912,935,350**
Services	**20,369,423**	**114,311,622**	**–**	**7,963,749**	**2,915,060**	**145,559,854**
Construction	**–**	**4,738,015**	**–**	**15,500,000**	**1,632,676**	**21,870,691**
Manufacturing	**–**	**2,974,600**	**–**	**–**	**–**	**2,974,600**
Other receivables	**6,798,394**	**–**	**–**	**–**	**–**	**6,798,394**
	₱1,002,631,860	**₱122,024,237**	**₱–**	**₱53,006,915**	**₱11,237,995**	**₱1,188,901,007**

2010

	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Available-for-sale investments	₱75,150,000	₱–	₱–	₱–	₱–	₱75,150,000
Loans and other receivables						
Cash in banks	16,436,855	–	–	–	–	16,436,855
Receivable from customers:						
Consumer	593,394,597	–	–	11,274,783	2,017,120	606,686,500
Services	12,349,744	116,782,057	–	3,157,851	2,777,345	135,066,997
Construction	–	22,146,417	–	13,325,852	–	35,472,269
Manufacturing	4,781,786	–	–	179,736	1,263,057	6,224,579
Other receivables	6,384,875	–	–	–	–	6,384,875
	₱708,497,857	₱138,928,474	₱–	₱27,938,222	₱6,057,522	₱881,422,075

The Company's basis in grading its financial assets are as follows:

Cash in banks
High grade pertains to cash deposited in local banks belonging to top 10 rank.

Loans and other receivables

- 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 receivables from customers that were past due but not impaired follows:

	December 31, 2011					
	<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Consumer	**₱9,111,663**	**₱5,734,574**	**₱3,625,587**	**₱3,626,718**	**₱7,444,624**	**₱29,543,166**
Services	**1,624,382**	**1,922,030**	**490,612**	**377,438**	**3,549,287**	**7,963,749**
Construction	–	–	–	–	**15,500,000**	**15,500,000**
	₱10,736,045	**₱7,656,604**	**₱4,116,199**	**₱4,004,156**	**₱26,493,911**	**₱53,006,915**

	December 31, 2010					
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	₱4,716,534	₱1,989,588	₱1,150,587	₱1,389,291	₱2,028,783	₱11,274,783
Services	1,294,902	265,918	219,331	327,871	1,049,829	3,157,851
Construction	1,286,088	964	–	–	12,038,800	13,325,852
Manufacturing	–	–	–	–	179,736	179,736
	₱7,297,524	₱2,256,470	₱1,369,918	₱1,717,162	₱15,297,148	₱27,938,222

Liquidity risk
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment for asset purchases. 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 based on undiscounted contractual payments and remaining contractual maturities.

	2011					
	Up to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 years	More than 3 years	Total
Financial assets						
Loans and other receivables						
Cash in banks	₱23,612,118	₱–	₱–	₱–	₱–	₱23,612,118
Receivable from customers:						
Consumer	116,842,796	112,320,419	209,440,254	470,800,059	3,531,822	912,935,350
Services	78,828,709	18,605,475	26,279,735	18,678,970	3,166,965	145,559,854
Construction	1,686,786	–	–	–	20,183,905	21,870,691
Manufacturing	1,836,364	105,000	210,000	735,000	88,236	2,974,600
Other receivables	6,798,394	–	–	–	–	6,798,394
	₱205,993,049	₱131,030,894	₱235,929,989	₱490,214,029	₱26,970,928	₱1,090,138,889
Financial liabilities						
Notes payable	₱196,319,064	₱76,399,936	₱337,674,211	₱35,542,810	₱–	₱645,936,021
Accounts payable	22,564,527	–	–	–	–	22,564,527
Accrued interest	9,816,848	–	–	–	–	9,816,848
	₱228,700,439	₱76,399,936	₱337,674,211	₱35,542,810	₱–	₱678,317,396

	2010					
	Up to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 years	More than 3 years	Total
Financial assets						
Cash in banks	₱16,436,855	₱–	₱–	₱–	₱–	₱16,436,855
Loans and other receivables						
Receivable from customers:						
Consumer	1,043,329	1,391,107	1,391,107	602,860,957	–	606,686,500
Services	41,023,177	32,433,521	12,275,477	44,745,874	4,588,948	135,066,997
Construction	15,194,293	–	–	4,664,959	15,613,017	35,472,269
Manufacturing	484,346	468,946	585,897	243,511	4,441,879	6,224,579
Other receivables	6,384,875	–	–	–	–	6,384,875
	₱64,130,020	₱34,293,574	₱14,252,481	₱652,515,301	₱24,643,844	₱789,835,220
Financial liabilities						
Notes payable	₱154,672,441	₱43,955,709	₱173,455,553	₱10,817,000	₱–	₱382,900,703
Accounts payable	61,529,430	–	–	–	–	61,529,430
Accrued interest	4,256,522	–	–	–	–	4,256,522
	₱220,458,393	₱43,955,709	₱173,455,553	₱10,817,000	₱–	₱448,686,655

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, 2011 and 2010, with all variables held constant.

Notes Payable

	Effect on profit before tax Change in basis points	
	+100 basis points	**-100 basis points**
December 31, 2011	**(₱6,180,960)**	**₱6,180,960**
December 31, 2010	(3,661,428)	3,661,428

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, 2011 and 2010. 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 - receivable factoring services and MC Financing, loans to motorcycle buyers.

The Company considers its Management Committee as chief operating decision maker. Management 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 target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

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

	2011				
	Rx Cash Line	**MC Factors**	**MC Financing**	**Others**	**Total**
Loans	₱62,248,108	₱82,380,435	₱895,420,201	₱31,850,682	₱1,071,899,426
Results of operation					
Revenues					
Interest income	₱16,940,889	₱8,328,421	₱127,971,117	₱3,330,512	₱156,570,939
Other income	698,809	1,164,548	3,357,046	3,763,944	8,984,347
	17,639,698	9,492,969	131,328,163	7,094,456	165,555,286
Expenses					
Interest expense	3,206,721	1,576,477	24,223,504	619,051	29,625,753
Provision for credit losses	137,715	369,619	10,602,318	–	11,109,652
Operating expenses	11,515,006	6,196,908	85,729,616	2,241,905	105,683,435
	14,859,442	8,143,004	120,555,438	2,860,956	146,418,840
Net operating income	2,780,256	1,349,965	10,772,725	4,233,500	19,136,446
Less provision for income tax	–	–	–	5,308,724	5,308,724
Net income (loss)	₱2,780,256	₱1,349,965	₱10,772,725	(₱1,075,224)	₱13,827,722
Statement of financial position					
Total assets	₱43,690,957	₱57,666,305	₱609,643,596	₱193,921,773	₱904,922,631
Total liabilities	₱72,465,346	₱35,625,162	₱547,401,688	₱13,989,278	₱669,481,474
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱5,865,982	₱5,865,982
Depreciation and amortization	₱509,521	₱274,204	₱3,793,402	₱99,201	₱4,676,327

	2010				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	₱50,229,814	₱105,661,037	₱589,332,925	₱29,193,660	₱774,417,436
Results of operation					
Revenues					
Interest income	₱18,824,788	₱12,781,093	₱80,956,468	₱439,715	₱113,002,064
Other income	2,057,489	1,243,650	–	5,802,022	9,103,161
	20,882,277	14,024,743	80,956,468	6,241,737	122,105,225
Expenses					
Interest expense	2,566,939	4,171,276	24,385,924	962,603	32,086,742
Provision for credit losses	2,017,120	349,909	2,750,978	–	5,118,007
Operating expenses	6,851,776	2,030,536	40,890,979	19,397,632	69,170,923
	11,435,835	6,551,721	68,027,881	20,360,235	106,375,672
Net operating income (loss)	9,446,442	7,473,022	12,928,587	(14,118,498)	15,729,553
Less provision for income tax	–	–	–	3,374,300	3,374,300
Net income (loss)	₱9,446,442	₱7,473,022	₱12,928,587	(₱17,492,798)	₱12,355,253
Statement of financial position					
Total assets	₱36,354,687	₱73,962,725	₱400,455,183	₱155,918,963	₱666,691,558
Total liabilities	₱35,457,978	₱57,619,217	₱336,850,843	₱13,296,754	₱443,224,792
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱3,991,190	₱3,991,190
Depreciation and amortization	₱508,684	₱150,750	₱2,885,160	₱1,365,862	₱4,910,456

	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	2,721,387	7,357,011
	22,287,352	17,087,049	32,940,737	4,908,497	77,223,635
Expenses					
Interest expense	1,935,176	3,046,105	6,704,357	–	11,685,638
Provision for credit losses	2,346,035	3,150,436	–	–	5,496,471
Operating expenses	5,389,635	1,924,527	19,514,573	17,061,840	43,890,575
	9,670,846	8,121,068	26,218,930	17,061,840	61,072,684
Net operating income (loss)	12,616,506	8,965,981	6,721,807	(12,153,343)	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	(₱17,555,776)	₱10,748,518

	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
Statement of financial position					
Total assets	₱53,520,742	₱74,301,171	₱174,491,207	₱152,319,941	₱454,633,061
Total liabilities	₱40,060,880	₱63,058,681	₱138,789,671	₱–	₱241,909,232
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱1,603,005	₱1,603,005
Depreciation and amortization	₱453,996	₱179,222	₱927,853	₱2,799,607	₱4,360,678

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:

	2011	2010
Cash in banks	**₱23,612,118**	₱16,436,855
Cash on hand	**8,089,256**	5,648,542
	₱31,701,374	₱22,085,397

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.50% to 1.25% in 2011 and from 0.30% to 0.63% in 2010.

Interest income on cash in banks amounted to ₱0.06 million, ₱0.04 million and ₱0.04 million in 2011, 2010 and 2009, respectively.

8. Loans and Other Receivables

This account consists of:

	2011	2010
Receivable from customers:		
Consumer	**₱912,935,350**	₱606,686,500
Services	**145,559,854**	135,066,997
Construction	**21,870,691**	35,472,269
Manufacturing	**2,974,600**	6,224,579
Other receivables	**6,798,394**	6,384,875
	1,090,138,889	789,835,220
Unearned interest income	**(308,186,583)**	(206,208,145)
Client's equity	**(24,714,131)**	(31,698,311)
Allowance for credit losses (Note 14)	**(17,167,174)**	(6,057,522)
	₱740,071,001	₱545,871,242

The classes of receivable from customers are subdivided according to loans granted to different industries.

Loans according to product type:

	2011	2010
Motorcycle financing	**₱895,420,201**	₱589,332,925
Receivables purchased	**82,380,435**	105,661,037
Rx cash line	**62,248,108**	50,229,814
Other receivables	**31,850,682**	29,193,660
	1,071,899,426	774,417,436
Unearned interest income	**(308,186,583)**	(206,208,145)
Client's equity	**(24,714,131)**	(31,698,311)
	738,998,712	536,510,980
Accrued interest receivable	**10,659,002**	6,659,002
Advances to officers and employees	**3,171,782**	4,076,288
Sales contract receivable	**1,354,631**	3,248,751
Due from affiliates (Note 22)	**213,007**	101,007
Miscellaneous receivables	**2,841,041**	1,332,736
	757,238,175	551,928,764
Allowance for credit losses	**(17,167,174)**	(6,057,522)
	₱740,071,001	₱545,871,242

Miscellaneous receivables consist of lease contract receivables and receivables from other non related parties.

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.

Interest rates on loans receivable ranges from 1.25% to 3.50% plus gross receipts tax per month.

Interest income earned from receivable from customers amounted to ₱156.51 million, ₱112.56 million and ₱67.68 million in 2011, 2010 and 2009, respectively.

9. Available-for-Sale Investments

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

Cost	₱78,477,008
Net unrealized loss	(100,000)
Allowance for impairment losses	(3,227,008)
	₱75,150,000

On September 12, 2007, the Company purchased 9,000,000 shares of stocks of AIB, equivalent to 36% ownership in the latter, 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 August 11, 2011, the Company received dividends from AIB amounting to ₱3.6 million (Note 22).

10. Investment Properties

The rollforward analysis of this account follows:

	2011	2010		
	Land	Land	Improvements	Total
Cost				
At January 1	**₱3,624,001**	₱4,434,352	₱7,291,041	₱11,725,393
Write-off	–	(810,351)	(2,989,005)	(3,799,356)
Disposal	–	–	(4,302,036)	(4,302,036)
At December 31	**3,624,001**	3,624,001	–	3,624,001
Accumulated Depreciation and Amortization				
At January 1	–	–	2,893,348	2,893,348
Depreciation and amortization	–	–	337,616	337,616
Write-off	–	–	(1,067,264)	(1,067,264)
Disposal	–	–	(2,163,700)	(2,163,700)
At December 31	–	–	–	–
Allowance for Impairment Losses	**1,019,533**	1,019,533	–	1,019,533
Net Book Value	**₱2,604,468**	₱2,604,468	₱–	₱2,604,468

The aggregate fair value of the investment properties of the Company amounted to ₱3.62 million as of December 31, 2011 and 2010. The Company sold certain investment properties at a gain of ₱1.55 million in 2010.

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	
Acquisition cost:		
Commercial and Consumer Credit Corporation (3C)	100%	₱1,000,000
Global Credit and Management Group/3C (GCMGI/3C)	51%	1,000,000
3C Pawnshop	100%	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 December 31, 2011, 3C Pawnshop has not yet started commercial operations. Total assets and equity amounted to ₱100,000 as of December 31, 2011 and 2010. The Company did not consolidate the accounts of the subsidiaries due to immateriality of the balances of the accounts.

12. Property and Equipment

The rollforward analysis of this account follows:

	2011			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱3,833,277**	**₱873,326**	**₱11,905,698**	**₱16,612,301**
Additions	973,978	–	4,408,197	5,382,175
Disposals	–	–	(211,978)	(211,978)
At December 31	4,807,255	873,326	16,101,917	21,782,498
Accumulated Depreciation and Amortization				
At January 1	1,749,402	202,010	8,021,679	9,973,091
Depreciation and amortization	1,311,651	89,783	2,679,597	4,081,031
Disposals	–	–	(101,151)	(101,151)
At December 31	3,061,053	291,793	10,600,125	13,952,971
Net Book Value	**₱1,746,202**	**₱581,533**	**₱5,501,792**	**₱7,829,527**

	2010			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱2,584,615	₱873,326	₱9,583,170	₱13,041,111
Additions	1,248,662	–	2,322,528	3,571,190
At December 31	3,833,277	873,326	11,905,698	16,612,301
Accumulated Depreciation and Amortization				
At January 1	₱1,006,818	₱112,228	₱4,759,696	₱5,878,742
Depreciation and amortization	742,584	89,782	3,261,983	4,094,349
At December 31	1,749,402	202,010	8,021,679	9,973,091
Net Book Value	₱2,083,875	₱671,316	₱3,884,019	₱6,639,210

Motorcycle inventory is transferred to transportation equipment when they are used in the business operations by the employees. The transportation equipment is valued at the inventory's carrying amount. In 2011 and 2010, the Company transferred motorcycle inventories amounting to ₱1.55 million and ₱1.62 million, respectively (shown as additions).

As of December 31, 2011 and 2010, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱2.22 million.

13. Other Assets

This account consists of:

	2011	2010
Motorcycle inventories	**₱34,383,222**	₱7,659,084
Software costs	**1,553,394**	1,766,489
Prepaid expenses	**695,097**	408,176
Miscellaneous	**284,650**	249,932
	₱36,916,363	₱10,083,681

Motorcycle inventory pertains to repossessed units from the Company's motorcycle financing business carried at its net realizable value. Loss from writedown of motorcycle inventories included in the statements of comprehensive income amounted to ₱4.23 million, ₱2.66 million and ₱1.52 million in 2011, 2010 and 2009, respectively.

The movements in software costs follow:

	2011	2010
Cost		
At January 1	**₱3,110,245**	₱2,690,245
Additions	**483,807**	420,000
Write-off (Note 20)	**(101,606)**	–
At December 31	**3,492,446**	3,110,245
Accumulated Amortization		
At January 1	**1,343,756**	865,265
Amortization for the year	**595,296**	478,491
Accumulated amortization	**1,939,052**	1,343,756
At December 31	**₱1,553,394**	₱1,766,489

14. Allowance for Credit Losses

Movements in allowance for credit losses follow:

	December 31, 2011			
	Receivable from Customers			
	Construction	**Services**	**Consumer**	**Total**
At January 1	**₱1,263,057**	**₱2,777,345**	**₱2,017,120**	**₱6,057,522**
Provisions during the year	**369,619**	**137,715**	**10,602,318**	**11,109,652**
At December 31	**₱1,632,676**	**₱2,915,060**	**₱12,619,438**	**₱17,167,174**
Individually impaired	**₱1,632,676**	**₱2,915,060**	**₱6,690,259**	**₱11,237,995**
Collectively impaired	**–**	**–**	**5,929,179**	**5,929,179**
Total	**₱1,632,676**	**₱2,915,060**	**₱12,619,438**	**₱17,167,174**

As of December 31, 2011, the gross amount of loans and receivable individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to ₱11.24 million.

	December 31, 2010			
	Receivable from Customers			
	Manufacturing	Services	Consumer	Total
At January 1	₱913,148	₱26,367	₱–	₱939,515
Provisions during the year	349,909	2,750,978	2,017,120	5,118,007
At December 31	₱1,263,057	₱2,777,345	₱2,017,120	₱6,057,522
Individually impaired	₱1,263,057	₱2,750,978	₱2,017,120	₱6,031,155
Collectively impaired	–	26,367	–	26,367
Total	₱1,263,057	₱2,777,345	₱2,017,120	₱6,057,522

As of December 31, 2010, the gross amount of loans and receivable individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to ₱6.06 million.

15. Notes Payable

This represents unsecured short-term loans with the following:

	2011	2010
Related parties (Note 22)	**₱524,434,355**	₱323,655,501
Individuals	**58,518,725**	16,772,999
Banks	**35,142,857**	25,714,286
	₱618,095,937	₱366,142,786

Interest rates from borrowings range from 5.44% to 7.75% and 7.50% to 8.00% per annum in 2011 and 2010, respectively.

Interest expense on these notes payable amounted to ₱29.63 million, ₱32.09 million, ₱11.69 million in 2011, 2010 and 2009, respectively.

16. Accrued Expenses

This account consists of:

	2011	2010
Accrued interest (Note 22)	**₱9,816,848**	₱4,256,522
Accrued taxes	**2,358,753**	3,585,967
Other accrued expenses	**5,976,793**	3,150,750
	₱18,152,394	₱10,993,239

Other accrued expenses consist of:

	2011	2010
Accrued management and professional fees	**₱2,246,869**	₱1,036,311
Accrued administrative expenses	**1,236,476**	954,646
Accrued occupancy costs	**1,024,550**	45,766
Accrued insurance payable	**936,959**	676,109
Others	**531,939**	437,918
	₱5,976,793	₱3,150,750

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 reporting date.

	2011			2010		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total
Financial Assets						
Cash on hand and in banks	**₱31,701,374**	**₱–**	**₱31,701,374**	₱22,085,397	₱–	₱22,085,397
Loans and other receivables - gross	**572,953,932**	**517,184,957**	**1,090,138,889**	112,676,075	677,159,145	789,835,220
AFS investments - gross	**–**	**78,377,008**	**78,377,008**	–	78,377,008	78,377,008
	604,655,306	**595,561,965**	**1,200,217,271**	134,761,472	755,536,153	890,297,625
Nonfinancial Assets						
Property and equipment	**–**	**7,829,527**	**7,829,527**	–	6,639,210	6,639,210
Investment properties - gross	**–**	**3,624,001**	**3,624,001**	–	3,624,001	3,624,001
Investment in a subsidiary - gross	**–**	**2,100,000**	**2,100,000**	–	2,100,000	2,100,000
Deferred tax assets	**–**	**10,549,898**	**10,549,898**	–	4,157,560	4,157,560
Other assets	**35,362,969**	**1,553,394**	**36,916,363**	8,317,192	1,766,489	10,083,681
	35,362,969	**25,656,820**	**61,019,789**	8,317,192	18,287,260	26,604,452
Less: Allowance for credit and impairment losses	**–**	**–**	**23,413,715**	–	–	12,304,063
Unearned interest income	**–**	**–**	**308,186,583**	–	–	206,208,145
Client's equity	**18,269,175**	**6,444,987**	**24,714,131**	23,966,069	7,732,241	31,698,311
	18,269,175	**6,444,987**	**356,314,429**	243,963,978	–	250,210,519
	₱621,749,100	**₱614,773,798**	**₱904,922,631**	₱621,749,100	₱614,773,798	₱666,691,558
Financial Liabilities						
Notes payable	**₱573,095,937**	**₱45,000,000**	**₱618,095,937**	₱356,642,786	₱9,500,000	₱366,142,786
Accounts payable	**22,564,527**	**–**	**22,564,527**	61,529,430	–	61,529,430
Accrued interest	**9,816,848**	**–**	**9,816,848**	4,256,522	–	4,256,522
	605,477,312	**45,000,000**	**650,477,312**	422,428,738	9,500,000	431,928,738
Nonfinancial Liabilities						
Accrued expenses	**8,335,546**	**–**	**8,335,546**	6,736,717	–	6,736,717
Income tax payable	**9,673,646**	**–**	**9,673,646**	2,785,076	–	2,785,076
Pension liability	**–**	**994,970**	**994,970**	–	1,774,261	1,774,261
	18,009,192	**994,970**	**19,004,162**	9,521,793	1,774,261	11,296,054
	₱623,486,504	**₱45,994,970**	**₱669,481,474**	₱431,950,531	₱11,274,261	₱443,224,792

18. Equity

On June 23, 2011, the BOD and stockholders approved the declaration of 0.96% stock dividends in the amount of ₱1,853,245 to stockholders of record as of July 21, 2011 with distribution date not later than August 15, 2011. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,853,331. Fractional shares related to this declaration were settled in cash amounting to ₱43.00.

On June 24, 2010, the BOD and stockholders approved the declaration of 0.84% stock dividends in the amount of ₱1,612,240 to stockholders of record as of July 19, 2010 with distribution date not later than August 16, 2010. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,612,316. Fractional shares related to this declaration were settled in cash amounting to ₱76.00.

On June 4, 2009, the BOD and stockholders approved the declaration of 0.43% stock dividends in the amount of ₱819,716 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 ₱819,812. Fractional shares related to this declaration were settled in cash amounting to ₱48.00.

On March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the Securities and Exchange Commission and the PSE, on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As of December 31, 2011, the Company has 195,327,890 common shares issued and outstanding which were owned by 100 shareholders.

The movements in the number of issued shares and capital stock follows:

	December 31, 2011		December 31, 2010		December 31, 2009	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares						
At January 1	**193,474,645**	**₱193,474,645**	191,862,405	₱191,862,405	191,042,689	₱191,042,689
Stock dividends	**1,853,245**	**1,853,245**	1,612,240	1,612,240	819,716	819,716
At December 31	**195,327,890**	**₱195,327,890**	193,474,645	₱193,474,645	191,862,405	₱191,862,405

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 years ended December 31, 2011 and 2010.

Under Republic Act (RA) No. 8556, *Financing Company Act*, the Company is required to maintain the following capital requirements:

(a) minimum paid-up capital of ₱10.00 million; and
(b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the years ended December 31, 2011 and 2010, the Company was in compliance with the minimum paid-up capital.

19. 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:

	2011	2010
Discount rate	**7.93%**	7.93%
Expected rate of return on assets	**7.00**	7.00
Future salary increases	**8.00**	8.00

As of December 31, 2011, the discount rate used in determining the retirement obligation is 7.05%.

The funded status and amounts recognized in the statements of financial position for the net pension liability as of December 31, 2011 and 2010 follow:

	2011	2010
Present value of fund obligation	**₱2,505,589**	₱2,560,001
Fair value of plan assets	**(4,003,551)**	(1,984,150)
Deficit (surplus)	**(1,497,962)**	575,851
Unrecognized actuarial gains	**2,492,932**	1,198,410
Net pension liability	**₱994,970**	₱1,774,261

Movement in the pension liability during the year follows:

	2011	2010
At January 1	**₱1,774,261**	₱949,867
Contributions	**(1,800,000)**	(200,000)
Retirement expense	**1,020,709**	1,024,394
At December 31	**₱994,970**	₱1,774,261

Movements in the present value of plan obligation follow:

	2011	2010
At January 1	**₱2,560,001**	₱1,853,196
Actuarial gain	**(1,308,426)**	(449,759)
Current service cost	**1,051,006**	985,514
Interest cost	**203,008**	171,050
At December 31	**₱2,505,589**	₱2,560,001
Experience adjustments	**(₱620,526)**	(₱752,411)

Movements in the fair value of plan assets recognized follow:

	2011	2010
At January 1	**₱1,984,150**	₱1,562,501
Contributions	**1,800,000**	200,000
Expected return on plan assets	**201,891**	116,375
Actuarial gain	**17,510**	105,274
At December 31	**₱4,003,551**	₱1,984,150
Experience adjustments	**₱17,510**	₱105,274

Actual return on plan assets amounted to ₱0.22 million in 2011 and 2010, respectively.

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

	2011	2010
Current service cost	**₱1,051,006**	₱985,514
Interest cost	**203,008**	171,050
Expected return on plan assets	**(201,891)**	(116,375)
Actuarial gains	**(31,414)**	(15,795)
	₱1,020,709	₱1,024,394

The Company does not expect to make contributions to its defined benefit retirement plan in 2012.

The categories of plan assets follow:

	2011	2010
Government securities	**52.25%**	80.15%
Time deposits	**38.22**	10.46
Savings deposits	**9.12**	8.67
Accrued interest receivables	**0.41**	0.72
	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:

	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	**₱2,505,589**	₱2,560,001	₱1,853,196	₱1,096,849	₱1,668,419
Faire value of plan assets	**4,003,551**	1,984,150	1,562,501	990,791	934,295
Deficit (surplus)	**(1,497,962)**	575,851	290,695	106,058	734,124
Experience adjustments arising on plan liabilities	**620,526**	752,411	260,661	853,586	275,772
Experience adjustments arising on plan assets	**17,510**	105,274	89,365	8,905	21,681

20. Miscellaneous

Miscellaneous income consists of the following items:

	2011	2010	2009
Penalties	**₱2,272,065**	₱2,301,290	₱1,543,809
Miscellaneous	**1,746,625**	3,237,398	783,104
	₱4,018,690	₱5,538,688	₱2,326,913

Miscellaneous income includes recovery from written-off receivables.

Miscellaneous expenses consist of the following items:

	2011	2010	2009
Advertising and promotions	**₱5,168,875**	₱466,290	₱170,459
Stationeries and supplies	**2,055,975**	1,279,117	854,263
Communication	**1,375,420**	1,242,447	784,180
Repairs and maintenance	**463,940**	620,278	508,923
Insurance	**290,402**	534,918	484,364
Loss on write-off of software cost	**101,606**	–	–
Meetings and conferences	**69,305**	220,649	77,698
Training and development	**60,999**	190,092	85,707
Miscellaneous	**951,616**	430,857	217,183
	₱10,538,138	₱4,984,648	₱3,182,777

Miscellaneous expenses include donations, membership dues and other expenses.

21. Income Taxes

Provision for income tax consists of:

	2011	2010	2009
Current:			
RCIT	**₱11,701,062**	₱5,472,035	₱2,602,081
Final	**–**	–	6,582
	11,701,062	5,472,035	2,608,663
Deferred	**(6,392,338)**	(2,097,735)	2,793,770
	₱5,308,724	₱3,374,300	₱5,402,433

The components of deferred tax assets follow:

	2011	2010
Allowance for impairment and credit losses	**₱6,709,003**	₱2,123,116
Accrued expenses	**3,303,591**	1,454,896
Pension liability	**298,491**	532,278
Past service cost	**238,813**	47,270
	₱10,549,898	₱4,157,560

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

	2011	2010	2009
Statutory income tax	**₱5,740,934**	₱4,718,866	₱4,845,285
Tax effects of:			
Interest subjected to final tax and dividend income	**(1,098,033)**	(1,442,748)	(5,481)
Nondeductible expense	**610,757**	–	246,310
Nondeductible interest expense	**55,066**	4,582	3,258
Income subjected to CGT	–	93,600	–
Change in unrecognized deferred tax assets	–	–	313,061
Effective income tax	**₱5,308,724**	₱3,374,300	₱5,402,433

Current tax regulations provide that the RCIT rate is 30.00%. Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

RA No. 9504, *An Act Amending NIRC*, provides that, the optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim itemized expense deductions instead of the OSD.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱1.63 million, ₱1.10 million and ₱1.58 million in 2011, 2010 and 2009, respectively.

22. Related Party Transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

Related Party	Nature of Related Party Relationship	Nature of Transaction	Elements of Transactions: Statements of Financial Position Amount 2011	2010	Statements of Comprehensive Income Amount 2011	2010	2009
AIB	Stockholder/Parent Company	Receivables	**₱101,007**	₱101,007	**₱–**	₱–	–
		Dividend income	**–**	–	**3,600,000**	–	–
Motor Ace Philippines, Inc.	Affiliate	Accounts payable	**14,501,287**	–	**–**	–	–
Pikeville Resources, Inc.	Affiliate	Professional fees	**–**	–	**938,000**	938,000	868,000
		Receivable	**112,000**	–	**–**	–	–
Others	Directors	Notes payable	**29,934,355**	29,855,501	**–**	–	–
		Interest expense	**–**	–	**2,456,960**	82,538	–
	Stockholders	Notes payable	**6,200,000**	5,000,000	**–**	–	–
		Interest expense	**–**	–	**1,742,542**	899,194	38,889
	Key management personnel	Notes payable	**2,500,000**	1,000,000	**–**	–	–
		Interest expense	**–**	–	**150,853**	65,000	–

Borrowings availed from related parties amounted to ₱428.00 million, ₱231.37 million and ₱84.53 million in 2011, 2010 and 2009, respectively, and settlement from borrowings amounted to ₱206.38 million, ₱66.12 million and ₱28.95 million in 2011, 2010 and 2009, respectively. Interest rates from borrowings range from 5.44% to 7.75% in 2011, 7.5% to 8.00% in 2010 and 7.28 to 8.00% in 2009. Borrowings from related parties are unsecured and to be settled in cash.

As of December 31, 2011 and 2010, notes payable and accrued interest payable arising from borrowings through other stockholders amounted to ₱485.80 million and ₱287.8 million, respectively, and ₱6.88 million and ₱3.61 million, respectively. Interest expense from these borrowings amounted to ₱34.76 million, ₱27.27 million and ₱8.85 million in 2011, 2010 and 2009, respectively.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱5.50 million, ₱4.60 million and ₱4.36 million in 2011, 2010 and 2009, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statement of comprehensive income.

23. Earnings Per Share

EPS amounts were calculated as follows:

	2011	2010	2009
a. Net income	**₱13,827,722**	₱12,355,253	₱10,748,518
b. Weighted average number of outstanding common shares	**195,327,890**	195,327,890	195,327,890
c. Basic/diluted earnings per share (a/b)	**₱0.07**	₱0.06	₱0.06

The weighted average number of outstanding common shares in 2010 and 2009 was recomputed after giving retroactive effect to stock dividends declared on June 23, 2011 and June 24, 2010, however, the impact to the EPS was immaterial (see Note 18).

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 received the termination letter dated November 10, 2011 indicating the tax liability is closed and terminated.

25. Lease Commitment

The Company leases its office space for a period of one (1) year under a lease contract expiring on May 31, 2012. Total rent expense incurred in 2011, 2010 and 2009 amounted to ₱0.65 million, ₱0.62 million and ₱0.59 million, respectively. The lease contract is renewable annually upon agreement of the lessor and the Company.

As of December 31, 2011 and 2010, minimum lease payments due within one year from reporting date amounted to ₱0.58 million and ₱0.62 million, respectively.

26. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and 15-2010

Supplementary Information Under RR No. 19-2011

In addition to the required supplementary information under RR No. 15-2010, on December 9, 2011, the BIR issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2011, the Company reported the following revenues and expenses for income tax purposes

Revenues

The composition of gross income reported in 2011 follows:

Interest income	₱156,510,829
Non-operating and taxable other income	5,384,347
	₱161,895,176

Cost of services

The Company reported interest costs amounting to ₱24.05 million as cost of services during 2011.

Expenses

The Company claimed the following expenses as itemized deductions in filing its annual income tax return for 2011:

Salaries and employee benefits	₱33,301,826
Management and professional fees	13,393,218
Taxes and licenses	12,318,657

(Forward)

Loss from sale and writedown of motorcycle inventories	₱9,077,530
Commissions	5,957,337
Travel and transportation	4,929,386
Depreciation and amortization	3,990,807
Occupancy cost	3,882,289
Entertainment, amusement and recreation	1,531,540
Amortization of software costs	595,296
Miscellaneous	9,868,159
	₱98,846,045

Supplementary Information Under RR No. 15-2010
On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and licenses' account in the Company's statement of comprehensive income. Details consist of the following:

Gross receipts tax	₱8,091,432
Documentary stamp tax on loan instruments	3,054,703
License and permit fees	1,451,021
	₱12,597,156

As of December 31, 2011, accrued GRT and DST amounted to ₱1.06 million and ₱0.30 million.

Withholding Taxes
Details of withholding taxes for the year follow:

	Total Amount Remitted	Balance as of December 31, 2011
Expanded withholding taxes	₱3,299,848	₱625,833
Withholding taxes on compensation and benefits	2,169,792	366,021
Final withholding taxes	41,925	3,918
	₱5,511,565	₱995,772

EXHIBIT II
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2011

MAKATI FINANCE CORPORATION
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

Retained earnings, as adjusted to available for dividend distribution, beginning		**₱24,288,199**
Add: Net income actually earned/realized during the year		
Net income during the year closed to retained earnings	₱13,827,722	
Less: Deferred tax benefit during the year	6,392,338	
Net income actually earned during the year		**7,435,384**
Add (less):		
Dividends declared during the year	(3,706,576)	
Deferred tax asset, as of December 31, 2010	(4,157,560)	
		(7,864,136)
Retained earnings, end available for dividends		**₱23,859,447**

EXHIBIT III
MAKATI FINANCE CORPORATION
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs and Philippine Accounting Standards (PASs)] effective as of December 31, 2011:

PFRSs	Adopted/Not adopted/ Not applicable
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Adopted
PFRS 2, *Share-based Payment*	Not applicable
PFRS 3, *Business Combinations*	Not applicable
PFRS 4, *Insurance Contracts*	Not applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Not applicable
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Not applicable
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Adopted
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Not applicable
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Not applicable
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Not applicable
PAS 23, *Borrowing Costs*	Adopted
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Not applicable
PAS 27, *Consolidated and Separate Financial Statements*	Not Adopted*
PAS 28, *Investments in Associates*	Not applicable
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not applicable
PAS 31, *Interests in Joint Ventures*	Not applicable
PAS 32, *Financial Instruments: Presentation*	Adopted
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Adopted
PAS 36, *Impairment of Assets*	Adopted
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Adopted
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Adopted
PAS 41, *Agriculture*	Not applicable

* Consolidated financial statements were not prepared due to the immateriality of the balances of the accounts of the subsidiaries.

EXHIBIT IV
MAKATI FINANCE CORPORATION
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Available-for-sale investments:			
Amalgamated Investment Bancorporation	9,000,000	₱75,000,000	₱3,600,000
Orchard golf club shares	1	150,000	–
	9,000,001	₱75,150,000	₱3,600,000

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
None	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
None	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Loans Plus	₱1,360,490	₱–	₱464,490	₱–	₱–	₱896,000
Pushtech/IFCA	405,999	–	84,000	–	–	321,999
Accounting system (QnE)	–	51,850	8,642	–	–	43,208
5 (+1) Add'l concurrent Licenses - IFCA	–	140,000	21,000	–	–	119,000
50% Payroll System (Ser-BIZ-yo)	–	56,448	–	–	(56,448)	–
Full pymt Accounting system (QnE)	–	51,850	7,777	–	–	44,073
50% Payroll System (intellismart)	–	85,000	7,083	–	–	77,917
Deployment of Payroll System (Ser-BIZ-yo)	–	45,158	–	–	(45,158)	–
20% DP Payroll System (intellismart)	–	34,000	2,304	–	–	31,696
Windows 7 Prof OEM License	–	19,501	–	–	–	19,501
	₱1,766,489	₱483,807	₱595,296	₱–	(₱101,606)	₱1,553,394

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current porition of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
None	N/A	N/A	N/A

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
None	N/A	N/A

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
None	N/A	N/A	N/A	N/A

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by Affiliates	Directors and Officers	Others
Common	137,050,820	137,050,820	–	137,050,820	–	–
Common	13,617,635	13,617,635	–	–	–	13,617,635
Common	7,939,097	7,939,097	–	–	7,939,097	–
Common	6,269,592	6,269,592	–	–	–	6,269,592
Common	5,350,773	5,350,773	–	–	5,350,773	–
Common	4,802,330	4,802,330	–	–	–	4,802,330
Common	4,572,329	4,572,329	–	–	–	4,572,329
Common	4,572,329	4,572,329	–	–	4,572,329	–
Common	3,725,660	3,725,660	–	–	–	3,725,660
Common	1,932,754	1,932,754	–	–	1,932,754	–
Common	947,197	947,197	–	–	947,197	–
Common	580,000	580,000	–	–	–	580,000
Common	377,019	377,019	–	–	377,019	–
Common	331,526	331,526	–	–	–	331,526
Common	262,457	262,457	–	–	–	262,457
Common	242,944	242,944	–	–	242,944	–
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	228,596	228,596	–	–	–	228,596
Common	212,986	212,986	–	–	212,986	–
Common	192,951	192,951	–	–	–	192,951
Common	146,189	146,189	–	–	–	146,189
Common	137,200	137,200	–	–	–	137,200
Common	63,816	63,816	–	–	–	63,816
Common	25,939	25,939	–	–	–	25,939
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047

(Forward)

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by Affiliates	Directors and Officers	Others
Common	19,047	19,047	–	–	–	19,047
Common	19,047	19,047	–	–	–	19,047
Common	17,738	17,738	–	–	–	17,738
Common	15,427	15,427	–	–	–	15,427
Common	13,617	13,617	–	–	–	13,617
Common	13,219	13,219	–	–	–	13,219
Common	12,394	12,394	–	–	–	12,394
Common	7,570	7,570	–	–	–	7,570
Common	6,471	6,471	–	–	–	6,471
Common	5,522	5,522	–	–	–	5,522
Common	5,512	5,512	–	–	–	5,512
Common	5,492	5,492	–	–	–	5,492
Common	5,432	5,432	–	–	–	5,432
Common	4,239	4,239	–	–	–	4,239
Common	2,101	2,101	–	–	–	2,101
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804
Common	1,804	1,804	–	–	–	1,804

(Forward)

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by Affiliates	Directors and Officers	Others
Common	1,004	1,004	–	–	–	1,004
Common	575	575	–	–	–	575
Common	566	566	–	–	–	566
Common	393	393	–	–	–	393
Common	1,804	1,804	–	–	–	1,804
Common	1,156	1,156	–	–	–	1,156
Common	303	303	–	–	–	303
Common	210	210	–	–	–	210
Common	88	88	–	–	–	88
Common	88	88	–	–	–	88
Common	88	88	–	–	–	88
Common	88	88	–	–	–	88
Common	59	59	–	–	–	59
Common	29	29	–	–	–	29
Common	29	29	–	–	–	29
Common	29	29	–	–	29	–
Common	29	29	–	–	–	29
Common	29	29	–	–	–	29
Common	15	15	–	–	–	15
Common	15	15	–	–	15	–
Common	15	15	–	–	–	15
Common	15	15	–	–	15	–
Common	1	1	–	–	1	–
	195,327,890	195,327,890	–	137,050,820	21,575,159	36,701,911

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

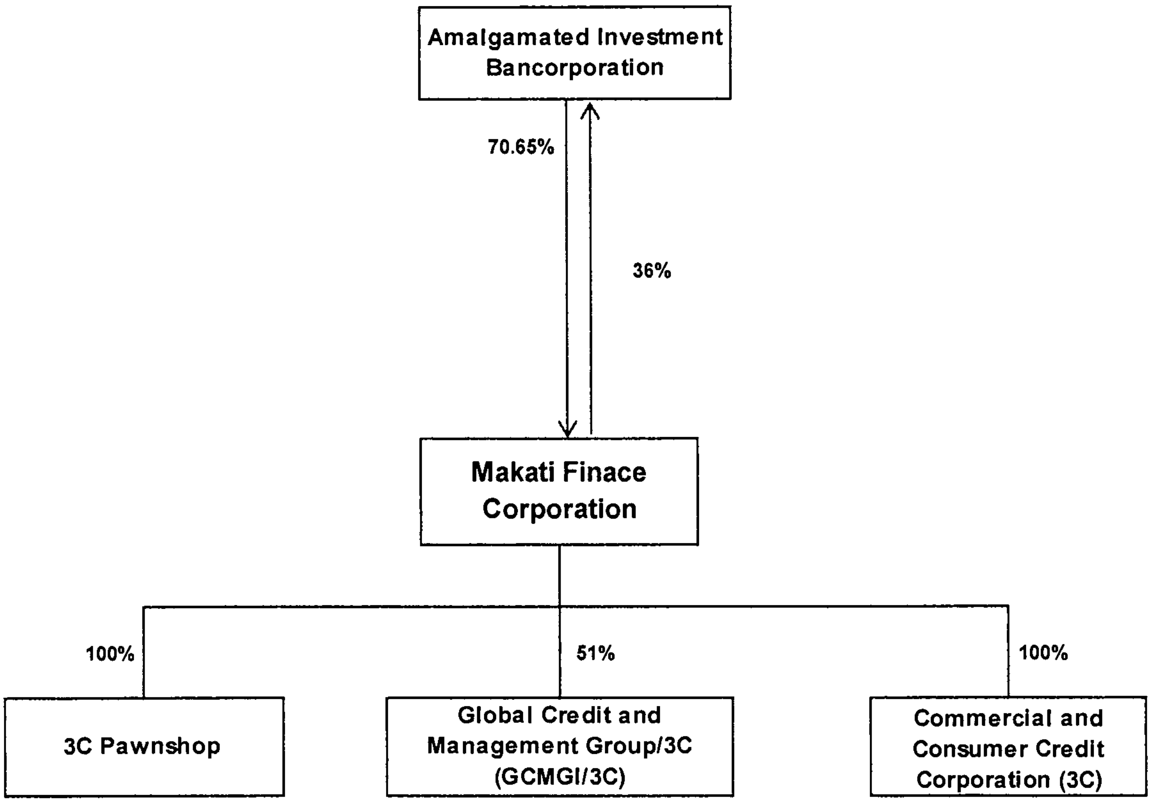

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

	2011	2010
Solvency and Liquidity Ratios		
Current ratio	**99.72%**	143.94%
Debt to equity ratio	**284.35%**	198.34%
Quick ratio	**96.98%**	31.20%
Profitability Ratios		
Return on assets	**6.21%**	8.53%
Return on equity	**21.25%**	21.92%
Net profit margin	**29.45%**	39.16%
Asset to Equity Ratio	**384.35%**	298.34%
Interest Rate Coverage Ratio	**164.59%**	149.02%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	**0.29%**	0.39%
Total receivables to total assets	**81.78%**	81.88%
Total DOSRI receivables to net worth	**23.76%**	23.85%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	**0.13%**	–
Honda Motors World, Inc.	**4.59%**	–

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,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

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, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 27, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Exhibits II-V 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, As Amended (2011) 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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A (Group A)
July 23, 2009, Valid until July 22, 2012
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 31748152641550, January 2, 2012, Makati City

March 27, 2012

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR ANNUAL INCOME TAX RETURN

The Management of **MAKATI FINANCE CORPORATION** (herein referred to as "the Company") is responsible for all information and representations contained in the **Annual Income Tax Return** for the calendar year ended **December 31, 2011**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached financial statements for the year ended December 31, 2011 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company complete and correct in all material respects. Management likewise affirms that:

a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c. The Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: Teresita B. Benitez
TERESITA B. BENITEZ,
President/Director

Date: 3/30/12

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ASSESSMENT SECTION
RR NO. 8 RDO 49 NORTH MAKATI

Makati Finance Corporation
Reconciliation of Net Income Per Books Against Taxable Income
As of Dec. 31, 2011

Net Income before tax		19,136,446.00
Add: Non-deductible Expenses/Taxable Other Income		
Provision for probable losses	11,109,652.00	
Loss from sale and writedown of motorcycle inventories	4,176,637.00	
Accrued interest expense	9,816,848.00	
Accrued expense on cut-off	1,314,237.00	
Non-deductible expense (allocation)	2,016,019.00	
Non-deductible retirement/pension expense	1,020,709.00	
Non-deductible deficiency tax (grt 2008 & 2009)	183,554.00	
Non-deductible interest expense	19,836.00	
Rent expense differential due to PAS 17	(119,115.00)	
Total		29,538,377.00
Less: Non-taxable Income and income \subjected to Final Tax		
Contribution to retirement fund (charged to normal cost)	1,051,006.00	
Amortization of past service cost	110,517.00	
2010 Accrued interest expense paid in 2011	4,256,522.00	
Interest income subject to final tax	60,110.00	
2010 Accrued expense paid in 2011	582,813.00	
2010 Accrued rent paid in 2011	10,315.00	
Dividend income	3,600,000.00	
Total		9,671,283.00
Net Taxable Income		39,003,540.00

Signature: ______________________

ISIDRO B. BENITEZ
Chairman/Director

Date 3/30/12

Signature: ______________________

JOEL S. FERRER
Treasurer/Director

Date: 3/30/12

Persons to sign the SMR are the following:

1. Individual taxpayer/ President/ Managing Partner
2. Chief Executive Officer or its equivalent
3. Chief Financial Officer or its equivalent

SUBSCRIBED AND SWORN TO BEFORE ME THIS MAR 30 2012 AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER ______ No. ______ ISSUED ON ______ AT ______

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-618
UNTIL DECEMBER 31, 2012
ROLL OF ATTORNEY 48348
MCLE COMPLIANCE NO. III-0018179
IBP NO. 706762 - LIFETIME MEMBER
PTR NO. 0009231 JAN. 2, 2012

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PAGE NO. 54
BOOK NO. VI
SERIES OF 2012

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

**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 (the Company) for the year ended December 31, 2011, on which we have rendered the attached report dated March 27, 2012.

In compliance with Revenue Regulations V-20, we are stating that 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 (Group A)
July 23, 2009, Valid until July 22, 2012
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March 27, 2012

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ASSESSMENT SECTION
RR NO. 8 RDO 49 NORTH MAKATI

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Makati Finance Corporation** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders , has expressed its opinion on the fairness of presentation upon completion of such examination.

DR. ISIDRO B. BENITEZ	**TERESITA B. BENITEZ**	**JOEL S. FERRER**
Chairman	President	Treasurer

Personally came and appear before on this MAR day of 2 ___ 2012, at Makati City, Dr. Isidro Benitez, Ms. Teresita Benitez and Mr. Joel S. Ferrer with community Tax Certificate Nos.22954166;22954167; and 06996681 issued on Jan. 02, Jan. 02 , & Jan. 12 of 2012 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. 241;
Page No. 50;
Book No. 17;
SERIES OF 2012;

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ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-618
UNTIL DECEMBER 31, 2012
ROLL OF ATTORNEY 48345
MCLE COMPLIANCE NO. II-0018179
IBP NO. 706762 - LIFETIME MEMBER
PTR NO. 0009231 JAN. 2, 2012

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	**TERESITA B. BENITEZ**	**JOEL S. FERRER**
Chairman	President	Treasurer

Subscribed and sworn before me this MAR 3 0 2012 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	22954166	1/02/12	MAKATI
MS. TERESITA B. BENITEZ	22954167	1/02/12	MAKATI
MR. JOEL S. FERRER	06996681	1/12/12	MAKATI

Doc No. 263;
Page No. 50;
Book No. 47;
SERIES OF 2012

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ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-618
UNTIL DECEMBER 31, 2012
ROLL OF ATTORNEY 48548
MCLE COMPLIANCE NO. II-0018179
IBP NO. 706762 - LIFETIME MEMBER
PTR NO. 0009231 JAN. 2, 2012

REPORTS TO SEC PER SEC FORM 17-C

ANNEX B

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

January 21, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, January 21, 2011 at Ascott Residences.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

COVER SHEET

2 8 7 8 8

S.E.C. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

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

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

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

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

CYNTHIA M. GACAYAN

Contact Person

897- 0749

Company Telephone Number

1 2	3 1	SEC Form 17 - C	Last Thursday of 0 6	
Month	Day	FORM TYPE	Month	Day

Fiscal Year

2011

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-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **January 21, 2011**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
   Address of principal office

   1210
   Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	193,474,645

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, January 21, 2011, at which at least a majority of the members of the Board of Directors was present and acting throughout.

The Board approved proposal to create and incorporate of a Lending Company as a 100% Subsidiary of Makati Finance Corporation. The Board has also approved the request for P3.2M capital expenditures as embodied in the 2011 Budget which was likewise approved. The Board has approved intent to obtain a P300M Loan from various Financial Institutions for its fund requirements.

The next Board meeting was later set on 25 March, 2011 at 9:00 o'clock in the morning.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

Date: 21 January 2011

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

March 25, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, March 25, 2011 at Ascott Residences.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

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 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)

CYNTHIA M. GACAYAN

Contact Person

897- 0749

Company Telephone Number

1 2	3 1	SEC Form 17 - C	Last Thursday of 0 6	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2011

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-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER**

1. **March 25, 2011**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City** — **1210**
   Address of principal office — Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	193,474,645

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, March 25, 2011. All of the members of the Board of Directors were present and acting throughout. The following items were discussed during the meeting:

1. Nomination Committee informed the Board that it had pre-screened and shortlisted the candidate for members of the Board of Directors to be nominated during the next Annual Stockholders' Meeting. The candidates to be nominated are as follows: Isidro B. Benitez, Juan Carlos Del Rosario, Teresita B. Benitez, Max O. Borromeo, Rene B. Benitez, Francisco C. Eizmendi Jr., Joel S. Ferrer, Eugenio E. Reyes, Michael Wee, Glenn B. Benitez and Jose V. Cruz.

2. The Board approved the presentation of the 2010 Audited Financial Statements.

3. The Board scheduled the next regular Board meeting on June 23, 2011 at 3 pm.

4. The Board rescheduled the Annual Stockholders' meeting from the last Thursday of June (as stated in the by-laws) to the fourth Thursday of June, 23 June 2011, at 5 pm due to projected lack of quorum and to give other shareholders a chance to attend the Annual Stockholders Meeting.

5. Record date for the Annual Stockholders meeting was set on 27 May 2011.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

Date: 25 March 2011

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

June 23, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor PSE Plaza, Ayala Triangle
Ayala Avenue, Makati City

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

Ma'am:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting and Annual Stockholders' Meeting. Held today, June 23, 2011 at Ascott Residences.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

COVER SHEET

2	8	7	8	8

S.E.C. Registration Number

MAKATI FINANCE
CORPORATION

(Company's Full Name)

2 ND Floor, Makati
Finance Center 7823
Makati Ave., Makati City

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

CYNTHIA M. GACAYAN
Contact Person

897-07-49
Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

2011

SEC Form 17 - C

FORM TYPE

Secondary License Type, If Applicable

0	6			

Month *Day*

Annual Meeting

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

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 899 0526 Fax. (632) 899 4121

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. **June 23, 2011**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Poblacion, Makati City** — **1210**
   Address of principal office — Postal Code

8. **(632) 896-02-21**
   Registrant's telephone number, including area code

9. N. A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	193,474,645

11. Indicate the item numbers reported herein:...

I. The Regular Meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held on 23 June 2011. The following were approved by the Board of Directors:

a. Minutes of the Regular Board Meeting held on 25 March 2011.

b. Stock Dividends amounting to 0.9578970671% of the outstanding capital stock equivalent to a maximum of 1,853,287.95 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of 21 July 2011 with a payment date not later than 15 August 2011. Fractional shares shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of 21 July 2011.

c. Cash Dividends in the amount of P1,853,287.95 or an equivalent of P0.009578971 per share (0.9578970671%) to stockholders of record as of 21 July 2011 with a payment date of 15 August 2011. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2010.

d. The Next Board meeting was scheduled on 21 October, 2011 Friday at 9:00 a.m.

II. On 23 June 2011, the Corporation received a letter from Dr. Glenn B. Benitez declining his nomination as Director of the Corporation for personal reasons.

In view of the same, the Nomination Committee, in a meeting held for the purpose, proposed the nomination of Mr. Eric B. Benitez as Director of the Corporation at the Annual Stockholders' Meeting.

III. The Annual Stockholders' Meeting was held after the Regular Board of Directors meeting. The following were approved by the Stockholders of the Corporation:

a. Minutes of the Annual Stockholders' Meeting held on 24 June 2010.

b. The 2010 Annual Report and 2010 Audited Financial Statements.

c. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the immediately previous Annual Shareholder's Meeting of 24 June 2010.

d. Elections of Directors of the Corporation. The following were elected as Directors of the Corporation for a term of one (1) year or until their successors shall have been elected:

ISIDRO B. BENITEZ
JUAN CARLOS DEL ROSARIO
TERESITA B. BENITEZ
MAX FRANCISCO O. BORROMEO
RENE B. BENITEZ
FRANCISCO C. EIZMENDI, JR.
JOEL S. FERRER
EUGENIO E. REYES
MICHAEL WEE
JOSE V. CRUZ
ERIC B. BENITEZ

Atty. Eugenio E. Reyes and Mr. Francisco C. Eizmendi, Jr. were elected as independent directors.

e. Appointment of SYCIP GORRES VELAYO & CO. as the Corporation's External Auditor for the Year 2011.

f. Stock Dividends amounting to 0.9578970671% of the outstanding capital stock equivalent to a maximum of 1,853,287.95 shares of stock, to stockholders of record as of 21 July 2011 with a payment date not later than 15 August 2011. The stock dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2010 and shall be issued out of the un-issued capital stock. Fractional shares shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of 21 July 2011.

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0426 Fax. (632) 899 4121

IV. The Organizational Meeting of the Board of Directors was held immediately after the Annual Stockholders Meeting, where in the following officers and committee chairmen/members were elected.

a. OFFICERS:

Dr. Isidro B. Benitez - Chairman
Mr. Juan Carlos del Rosario - Vice-Chairman
Ms. Teresita B. Benitez - President
Mr. Max Francisco O. Borromeo - Senior Managing Director
Mr. Rene B. Benitez - Managing Director
Ms. Cynthia M. Gacayan - Chief Operating Officer, Chief Information Officer and Compliance Officer
Mr. Joel S. Ferrer - Treasurer
Atty. Danilo Enrique O. Co - Corporate Secretary
Mr. Servando B. Alvarez, Jr. - Assistant Treasurer

b. Committees:

Executive Committee	Audit Committee
Mr.Max Francisco O. Borromeo, Chairman Mr. Juan Carlos Del Rosario Ms. Teresita B. Benitez Mr. Rene B. Benitez Mr. Joel S. Ferrer	Francisco C. Eizmendi Jr.*, Chairman Mr. Joel S. Ferrer Mr. Juan Carlos del Rosario Mr. Jose V. Cruz
Compensation Committee	**Nomination Committee**
Atty. Eugenio E. Reyes*, Chairman Mr. Juan Carlos Del Rosario Mr. Jose V. Cruz Mr. Eric B. Benitez	Mr. Rene B. Benitez, Chairman Dr. Isidro B. Benitez Mr. Max Francisco O. Borromeo Atty. Eugenio E. Reyes * Mr. Michael Wee
	* Independent Directors

SIGNATURES

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

Date: June 23, 2011

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 89[illegible]26 Fax. (632) 899 4121

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

October 21, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, October 21, 2011 at Ascott Residences.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

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)

CYNTHIA M. GACAYAN

Contact Person

897- 0749

Company Telephone Number

1 2 / 3 1

Month Day

Fiscal Year

2011

SEC Form 17 - C

FORM TYPE

Last Thursday of

0 6

Month Day

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **October 21, 2011**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
   Address of principal office

   1210
   Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	195,327,890

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, October 21, 2011, at which at least a majority of the members of the Board of Directors was present and acting throughout.

The next Board meeting was later set on January 18, 2012 at 9:00 o'clock in the morning.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

Date: 21 October 2011

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

August 5, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose approval from PSE to list additional 1,853,245 common shares.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

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 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)

CYNTHIA M. GACAYAN

Contact Person

897- 0749

Company Telephone Number

1 2	3 1
Month	*Day*

Fiscal Year

2011

SEC Form 17 - C

FORM TYPE

Last Thursday of

0 6	
Month	*Day*

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

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-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(b)(3) THEREUNDER

1. **August 5, 2011**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
   Address of principal office
   1210
   Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	193,474,645

11. Indicate the item numbers reported herein: **Item 9 – Other Matters**

We received yesterday, August 4, 2011, the Notice of Approval coming from the PSE to list additional 1,853,245 common shares, with par value of P 1.00 per share to cover the 0.9578970671% stock dividend declaration to stockholders of record as of July 21, 2011.

Listing date shall be scheduled three (3) trading days from compliance of various requirements.

SIGNATURES

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

Very truly yours,

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

Date: 05 August 2011

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

July 15, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road. Ortigas Complex
Pasig City, Metro Manila

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

Ma'am:

We reply to your letter dated 15 July 2011 requesting for the Company's computation on the adjusted price and adjusted issued & outstanding shares based on the market data as of the end of trading period on 15 July 2011.

Computations were based on the formula attached to the letter with the heading "ADJUSTING THE CLOSING PRICE AND THE OUTSTANDING SHARES".

Adjusted Outstanding Shares (AOS)	=	Previous Outstanding Shares (POS) x (1 + SD)
(see note below)	=	193,474,645 x 1.009578970671
	=	195,327,932
Adjusted Closing Price (ACP)	=	Previous Closing Price (PCP) / 1+ Rate of Stock Dividend (SD)
	=	2.20 / 1.009578970671
	=	2.17

Please find below local and foreign shares as of ***July 14, 2011***:

Adjusted Foreign Share	=	8,024,666 x 1.009578970671
		8,101,534
Adjusted Local Shares	=	185,449,979 x 1.009578970671
		187,226,398

Please note that the above computation of the Adjusted Outstanding Shares is subject to adjustment due to the resulting fractional shares, based on the record date of 21 July 2011, which will not be issued but paid in cash to the respective stockholders. The final adjusted outstanding shares may be computed only on 21 July 2011 after the stockholders as of said record date, and the resulting fractional shares, are determined.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

Cc: Ms. Kristina S. Wy

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

October 10, 2011

PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City, Metro Manila

Attention: **MR. MIGUEL M. PAREJA**
Analyst, Market Surveillance Department

MS. NIÑA FEREN A. AGUILAR
OIC, Market Surveillance Department

MS. JANET A. ENCARNACION
Head, Disclosure Department

Sir/Ma'am

We reply to your letter dated October 10, 2011 regarding the unusual price movement in the trading of Makati Finance Corporation (MFIN) shares.

Please be advised that the Corporation is unaware of any information relating to the unusual movement in the trading of the Corporation shares as contained in your letter. The Corporation is likewise unaware of any event that would trigger the said trading.

Very truly yours,

CYNTHIA M. GACAYAN
COO/CIO

Subscribed and sworn to before me this OCT 10 2011 day of ________ 2011 at MAKATI CITY affiant personally appeared before me and exhibited her TIN with TIN 140-071-218-000.

Doc No. 341
Page No. 70
Book No. 9
Series of 2011.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2012
ROLL OF ATTORNEY 48343
MCLE COMPLIANCE NO.II-0015179
IBP NO. 708762
PTR. NO.0009251

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

October 25, 2011

PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City, Metro Manila

Attention: **MR. MIGUEL M. PAREJA**
Analyst, Market Surveillance Department

MS. NIÑA FEREN A. AGUILAR
OIC, Market Surveillance Department

MS. JANET A. ENCARNACION
Head, Disclosure Department

Sir/Madam:

We reply to your letter dated October 25, 2011 regarding the unusual price movement in the trading of Makati Finance Corporation (MFIN) shares.

Please be advised that the Corporation is unaware of any information relating to the unusual movement in the trading of the Corporation shares as contained in your letter. The Corporation is likewise unaware of any event that would trigger the said trading.

Very truly yours,

CYNTHIA M. GACAYAN
COO/CIO

Subscribed and sworn to before me this OCT 25 2011 day of ______ 2011 at MAKATI CITY affiant personally appeared before me and exhibited her TIN with TIN 110-071-218-000

Doc No. 447
Page No. 91
Book No. II
Series of 2011.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2012
ROLL OF ATTORNEY [illegible]
[illegible]

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax (632) 899 4121