

COVER SHEET

AS0920-07059

S.E.C. Registration Number

VANTAGE EQUITIES, INC. (Formerly Vantage Corporation) AND SUBSIDIARIES

(Company's Full Name)

2703A EAST TOWER, PSE CENTRE, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY

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

MR. EDMUNDO P. BUNYI JR

Contact Person

689-8090

Company Telephone Number

12 31
Month Day
Fiscal Year

17 - Q
FORM TYPE

03 31 12
Month Day Year
Period Ended

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

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



1. For the quarterly period ended March 31, 2012
2. SEC Identification Number AS-092-07059
3. BIR Tax Identification No. 002-010-620
4. Exact name of registrant as specified in its charter.
VANTAGE EQUITIES, INC.
5. Province, Country or other jurisdiction of Incorporation or Organization:
Philippines
6. (SEC Use Only)
Industry Classification Code

Address of Principal Office:

Unit 2703A East Tower, Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City

7. Registrant's telephone number, including area code: (632) 689-8094
8. Former name, former address, and former fiscal year, if changed since last report
Not applicable
9. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	2,235,390,633
10. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes No
11. Check whether the registrant:
 - a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 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 90 days.
Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Consolidated Financial Statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis or Plan of Operations

Financial Highlights

In millions	March 2012	December 2011	December 2010
Balance Sheet			
Assets	6,255.29	5,842.98	5,301.53
Liabilities	259.98	309.62	436.20
Stockholders' Equity	5,995.31	5,533.36	4,865.33
Book Value per Share as adjusted w/ 25% stock dividend & Treasury Shares	2.77	2.63	2.31
Income Statement			
Revenues	234.47	1,052.52	1,226.19
Expenses	120.97	511.79	508.84
Other Income / (Charges)	(1.04)	(10.91)	(0.73)
Net Income	102.31	529.82	716.62
Earnings per Share	0.05	0.25	0.33
Key Ratios			
Current Ratio	6.20	4.87	5.3
Assets to Equity	1	1.1	1.1
Liabilities to Equity	0.04	0.1	0.1
Return on Ave. Assets	2.00%	9.50%	14.60%
Return on Ave. Equity	2.00%	10.20%	15.90%

Results of Operations for the Quarter Ended March 31, 2012

The Company posted a consolidated net income of Php 102.3 million for the first semester of Y2012. It slid down by 36% compared to same period last year of Php 159.6 million. On a per share basis, the company earned 0.05 centavos compared to .07 centavos for the periods under review.

Partial easing of global liquidity conditions in the first quarter, especially in Europe, has fueled investors' risk appetites and resulted to hefty gains in equities. In particular, the EU came up with twin solutions to address the debt crisis in the region: a fiscal pact that tackled the problems of highly-indebted EU countries, and a long-term refinancing operation of the ECB to provide liquidity to EU banks. Apart from the EU, the US Fed likewise announced that they are going to maintain near zero rates through 2014 coupled with a possibility of another round of quantitative easing. As a result, the S&P 500 and the MSCI World Index registered returns of 11.5% and 11.4% respectively for the first quarter of 2012 compared to 5.4% and 4.6% same period last year. Locally, the 30-company Philippine index gained 16.8% in 1Q12

compared to -3.5% same period last year. The Company's equity portfolio meanwhile posted returns of 14.9% in 1Q12 compared to 2.7% a year ago.

On the fixed income side, local long-term yields were on a downtrend for the first part of the quarter as the Bangko Sentral cut its overnight rate to 4% amidst a benign inflation environment. However, yields backed up in March due to a 50-cent fare hike that could eventually exert upward pressure to consumer prices. With this, the Company's fixed income portfolio gained 1.7% in 1Q12 compared to -0.3% same period last year. It modestly outperformed the HSBC Local Bond Index which gained 1.4% in 1Q12 compared to -1.0% same period last year.

The following summarizes the operating results of the Company's subsidiaries:

eBusiness Services, Inc. ("eBiz")

eBiz continue to achieve record money transfer volume, hitting over a million transactions worth in excess of USD 233 million for the first quarter of 2012. However, despite transaction growth, revenues fell 9.7% to Php 79.4 million due to the contractual reduction in the Company's share of fees from Western Union and an appreciating currency. This decline in money transfer revenues was cushioned by revenues from other products which doubled to P11.7 million from P5.7 million same period last year. Meanwhile, operating expenses fell by 3% to Php 74.5 million as the company continued to rationalize its costs. After depreciation and taxes, eBiz posted a net income of Php 10.3 million for the first quarter of 2012, up 18% from Php 8.7 million same period last year.

Yehey! Corporation ("Yehey")

Total assets increased by P3 million. Current assets by P9.3 million due to increase in Company's trade receivables. Non-current assets increased by P6.7 million due to decrease in loans and Available-for-sale securities.

Total cost and expenses decreased by P1.51 million due to decrease in Salaries and Wages and other costs such as depreciation, subscription and writer's fee, among others.

Total revenues of the Company decreased by P.96 million from P9.6 million to P10.56 million as of March 31, 2012 and 2011 respectively. This is due to substantial decrease web development, e-commerce and start revenues.

As such, net income of the Company is P2.2 million in 2012 from 1.65 million in 2011.

Philequity Management, Inc. ("PEMI")

Net revenues in 1Q12 climbed to Php23.7 million from Php 15.3 million in 1Q11 or a 55% increase. In line with the increase in investors' risk appetites, the funds that the Company manages experienced net subscriptions of Php 134.9 million for the first three months of 2012 compared to net redemptions of Php 177.6 million same period last year. Furthermore, total assets under management as of end-March 2012 increased 43% to Php 5.8 billion from Php 4.0 billion as of end-March 2011.

Expenses for the first three months of the year were 11% higher vs. last year. YTD net profit increased 46% to Php 12.7 million from Php 8.7 million last year.

There is no material commitment for capital expenditure as of report date. There is no unusual nature or amount of item that affect the financials. There are no changes in the estimates of amount reported in the prior periods. There were no issuance, repurchases and repayments of debt and equity securities for the period. No material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period. No significant elements of income or loss that did not arise from the issuers continuing operations.

The Company will continue to operate as an investment and management firm to help improve the performances of its subsidiaries. There is no seasonal aspect that had a material effect on the financial condition or results of operations.

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – nine month period ending 31-Mar- 2012 versus 31-Mar-2011

16% decrease in internet sales and services

Mainly due to lower media sales, web development and dpr revenue.

14% decrease in money changing and foreign exchange

Profit opportunities are not as attracted as last year.

9% increase in interest income

Mainly due to additional fixed income securities.

35% increase in mutual fund income

Mainly due to increase in assets under administration.

6% decrease in general and administrative expenses

Largely due to management cost reduction effort.

13% decrease in cost of services and sales

Primarily due to decrease in internet sales and services.

20% decrease in depreciation and amortization

Lesser acquisition of property, plant and equipment for the year.

Balance Sheet items - March 31, 2012 versus end 2011

44% decrease in receivables

Mainly due to Western Union transactions.

31% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)

Primarily due to lower currency forward contracts.

7% increase in available-for-sale securities

Largely due to increase in equities and mutual fund investments.

5% decrease in accrued retirement cost

Mainly due to lower accrual of retirement cost for this year.

60% decrease in cumulative unrealized gain on change in fair value of available-for-sale investments

Mainly due to revaluation of fixed income and equities securities.

ART II – OTHER INFORMATION

PFRS 9 – Financial Instruments: Recognition and Measurement

The Fund has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. It shall conduct in early 2012 another impact evaluation using the outstanding balances of financial statements as of 31 December 2011. The Fund's decision whether to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012.

SIGNATURES


Pursuant to the requirements of Section 17 of the Securities Regulation Code, and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Pasig.

VANTAGE EQUITIES, INC.

By:



EDMUNDO MARCO P. BUNYI, JR.
President & COO



MA. ANGELICA D. CABANIT
OIC Comptroller

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Unaudited March 31, 2012	Audited 31-Dec-11
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	901,394,708	540,411,971
Receivables – net (Note 6))	564,829,796	824,397,007
Financial Assets at Fair Value through profit or loss (FVPL) (Note 7)	66,424,065	86,739,792
Prepaid taxes and other current assets (Note 9)	18,269,048	13,899,226
Total Current Assets	1,550,917,617	1,465,447,996
Noncurrent Assets		
Available-for-sale securities (Note 8)	4,623,504,187	4,299,216,023
Investment in associates & JV – net	4,901,031	4,957,781
Deferred Tax Assets	3,819,683	2,040,989
Goodwill (Note 10)	3,654,985	3,654,985
Property and equipment – net (Note 10)	43,301,017	44,331,659
Other noncurrent assets - net (Note 11)	25,192,023	22,290,539
Total Noncurrent Assets	4,704,372,926	4,376,491,976
	6,255,290,543	5,841,939,973
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	184,287,861	288,465,034
Income tax payable	19,578,387	12,073,051
Current Portion of long-term debt	-	-
Total Current Liabilities	203,866,248	300,538,085
Noncurrent Liabilities		
Deferred tax liabilities	903,814	1,003,292
Accrued Retirement Costs	6,711,665	7,030,626
Asset Retirement Obligation	-	-
Total Noncurrent Liabilities	7,615,479	8,033,918
	211,481,727	308,572,003
Stockholders' Equity		
Equity attributable to equity holders of the parent:		
Capital stock – \$1 par value		
Authorized – 2,250,000,000		
Issued – 2,235,390,633	2,235,390,633	2,235,390,633
Stock Issuance Cost of a subsidiary	(3,209,910)	(3,209,910)
Cumulative net unrealized gain on change in fair value of available-for-sale investments	904,789,944	558,384,899
Retained earnings	2,935,770,099	2,801,387,551
Treasury Stocks	(188,520,838)	(188,520,838)
Minority interest	111,089,288	129,935,635
Total Stockholders' Equity	5,995,309,216	5,533,367,970
	6,255,290,543	5,841,939,973

See accompanying Notes to Consolidated Financial Statements.

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
REVENUES				
Money transfer service	105,246,143	87,877,406	105,246,143	87,877,406
Equity in net earnings of associates				
Internet service and sales	5,790,503	6,892,043	5,790,503	6,892,043
Money changing and foreign exchange	11,788,082	11,324,563	11,788,082	11,324,563
Interest income	30,951,957	25,899,527	30,951,937	25,899,527
Trading Gain Loss	47,359,592	126,775,102	47,359,592	126,775,102
Income from Mutual Fund	19,480,583	13,388,470	19,480,583	14,388,470
Others	13,851,533	2,456,982	13,851,533	2,456,982
	234,468,373	275,614,093	234,468,373	275,614,093
EXPENSES				
General and administrative expenses (Note 15)	82,166,362	87,559,109	82,166,362	87,559,109
Cost of services and sales	34,500,503	7,378,650	34,500,503	7,378,650
Depreciation and amortization	4,298,208	5,377,889	4,298,208	5,377,889
	120,965,073	100,315,648	120,965,073	100,315,648
INCOME FROM OPERATIONS				
	113,503,300	175,298,445	113,503,300	175,298,445
OTHER INCOME (CHARGES)				
Interest and bank charges - net	(975,513)	(407,746)	(975,513)	(407,746)
Others	(68,284)	-	(68,284)	-
	(1,043,797)	(407,746)	(1,043,797)	(407,746)
INCOME BEFORE EXTRA-ORDINARY				
Income/Expense	112,459,503	174,890,699	112,459,503	174,890,699
Extra-Ordinary Income/(Exp.)	-	-	-	-
INCOME BEFORE INCOME TAX				
	112,459,503	174,890,699	112,459,503	174,890,699
PROVISION FOR INCOME TAX				
Current	10,149,095	13,751,705	(18,972,000)	13,751,705
Deferred	-	1,511,037	(1,511,037)	1,511,037
	10,149,095	15,262,742	(20,483,037)	15,262,742
NET INCOME (LOSS)				
	102,310,408	159,627,957	132,942,540	159,627,957
Attributable to:				
Equity holders of the parent (Note 19)	95,385,467	155,264,433	95,385,467	155,264,433
Minority interests	6,924,941	4,363,525	6,924,941	4,363,525
	102,310,408	159,627,958	102,310,408	159,627,958
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent (as adjusted w/ 25% stock dividend & Treasury Shares)				
	0.05	0.07	0.05	0.07

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY

	For the Quarter Ended (Unaudited)	
	March 31, 2012	March 31, 2011
CAPITAL STOCK - 1 per value		
Authorized - 2,250,000,000 shares		
Issued - 2,235,390,633 shares		
Balance at beginning of year	2,235,390,633	2,235,390,633
Stock issuance cost of a subsidiary	(3,209,910)	(3,209,910)
Stock dividends issued	-	-
Balance at end of period	2,232,180,723	2,232,180,723
CUMULATIVE NET UNREALIZED GAIN ON CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES		
Balance at beginning of year	558,384,899	420,177,574
Unrealized Gain (loss)	346,405,043	(122,407,357)
Balance at end of period	904,789,942	297,770,217
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	2,840,384,631	2,286,681,994
Net income (loss)	93,385,469	159,627,958
Share in Minority Interest	-	(4,363,450)
Stock Dividend	-	-
Balance at end of period	2,933,770,100	2,441,946,502
TREASURY SHARES	(188,520,838)	(188,520,838)
MINORITY INTEREST		
Balance at beginning of year	129,935,635	114,817,421
Minority share in the capital stock from issuance of property dividend	-	-
Total income and expenses recognized during the period	(18,846,347)	4,363,450
Balance at end of period	111,089,288	119,180,971
	5,995,309,216	4,902,357,475

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Quarter Ended (Unaudited)	
	March 31, 2012	March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Tax	112,459,503	174,890,698
Depreciation and amortization	4,298,208	5,377,889
Interest expense	975,513	1,648,954
Dividend income	(6,145,863)	(41,615,977)
Interest income	(30,951,937)	(25,899,527)
Operating income before working capital changes	80,635,424	114,402,037
Changes in operating assets and liabilities:		
Decrease (increase):		
Receivable	259,567,211	190,223,890
Prepaid expenses and other current assets	(4,369,822)	1,636,322
Increase (decrease) in accounts payable and other current liabilities	(108,918,589)	(99,347,694)
Net cash provided by (used for) operations	226,914,224	206,734,555
Interest paid	(975,513)	(1,648,954)
Dividends received	6,145,863	41,615,977
Interest received	30,951,937	25,899,527
Net cash provided by (used in) operating activities	263,036,511	272,601,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Property and equipment	(3,267,564)	11,079,860
Decrease (increase) in AFS/HTM	(303,972,437)	(519,745,766)
Increase (decrease) in net unrealized gain on AFS	346,405,045	282,850,358
Decrease (increase) in other assets	(3,000,962)	(1,125,230)
Net cash provided by (used in) investing activities	36,220,832	(224,940,778)
CASH FLOWS FROM FINANCING ACTIVITY		
Increase (decrease) in minority interest	13,225,795	12,388,308
Acquisition of Treasury Shares	-	(150,424,438)
Payment of loans	48,499,601	46,040,744
Cash used in financing activities	61,725,394	(91,995,386)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	360,982,737	(44,335,059)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	540,411,971	485,624,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	901,394,708	441,289,305

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Vantage Equities, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 1992. The primary business of the Parent Company is to invest in, acquire by purchase, exchange, assignment or otherwise; or to hold, own, use for investment or otherwise shares of the capital stock, bonds, debentures, promissory notes, or other securities or obligations created, negotiated or issued by any corporation, association or other entities, whether foreign or domestic, including but not limited to information technology companies and related ventures, holding companies and companies engaged in financial services, investments and real property development. Its investments consist of shares in: (a) entities involved in inward remittances and financing services; (b) an Information Technology (IT)-based entity; and (c) an entity involved in management of mutual funds.

On April 8, 2008, the SEC has approved the Parent Company's change of corporate name from iVantage Corporation to Vantage Equities, Inc.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Parent Company is 2703 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Group"):

Name of Subsidiaries	Place of Incorporation	Percentage of Ownership	
		2011	2010
e-Business Services, Inc. (e-Business)	Philippines	100.00	100.00
eBIZ Financial Services, Inc. (eBIZ Financial)*	Philippines	100.00	100.00
iCurrencies, Inc. (iCurrencies)	Philippines	100.00	100.00
Yehey! Corporation (Yehey!)	Philippines	68.35	68.35
Philequity Management, Inc. (PEMI)	Philippines	51.00	51.00

** Indirectly owned through e-Business

The Parent Company is the ultimate parent of the Group.

e-Business

e-Business is involved in fund transfer and remittance services, both domestic and abroad, of any form or kind of currencies or monies, as well as in conducting money exchange transactions as may be allowed by law and other allied activities relative thereto. e-Business has an existing Representation Agreement (Agreement) with Western Union Financial Services, Inc. (Western Union) covering its fund transfer and remittance services for a period of seven years from September 1, 2007 to August 31, 2014. e-Business shall receive remuneration for the services provided to Western Union in accordance with the terms stipulated in the Agreement.

eBiz Financial

eBiz Financial is wholly owned by e-Business. eBiz Financial was incorporated on April 11, 2005 and started commercial operations on May 9, 2005. eBiz Financial is engaged in financing business.

iCurrencies

iCurrencies, Inc. was incorporated on February 3, 2000 and started commercial operations on May 31, 2000. iCurrencies is organized primarily to engage in the business of buying and selling of foreign currencies.

In May 2001, the iCurrencies effectively stopped its business of buying and selling currencies as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on October 26, 2000. Among others, the new circular required additional documentation for sale of foreign currencies and required Foreign Exchange Corporations (FxCorps) to have a minimum paid-up capital of ₱50.0 million.

The Circular effectively aligned the regulations under which FxCorps are to operate to that of banks. To avoid duplication and direct competition with its previous major stockholder, iCurrencies decided to stop its business of buying and selling foreign currencies. The stockholders likewise decided not to increase its paid-up capital.

In the meantime, iCurrencies is sustained by income on its investments and interest income on its funds while awaiting for regulatory changes.

Yehey!

Yehey! is engaged in the business of internet online related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites. It is also engaged in pre-production and post-production work on web sites in internet and sell and market said products in the form of advertising of finished products in the domestic or export market.

PEMI

In 2007, the Parent Company purchased 51% of the total outstanding stock of PEMI, which is equivalent to 130,000 common shares with par value of ₱100 each, for a total consideration of ₱32.4 million. PEMI was incorporated in the Philippines and is primarily engaged in management of mutual funds. The acquisition of PEMI resulted to a goodwill of ₱3.7 million in 2007.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency, and all values are rounded to the nearest peso unit, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements are prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company. Control is achieved when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition up to the date of disposal, as appropriate.

When a change in ownership interest in a subsidiary occurs, which results in loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related other comprehensive income recorded in equity and recycle the same to profit or loss or surplus;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in profit or loss.

In a separate or parent company financial statements, investments in subsidiaries are carried at cost, less accumulated impairment in value. Dividends earned on these investments are recognized in the Parent Company's separate statement of income as declared by the respective BOD of the investees.

Non-Controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Any losses applicable to the non-controlling interests are

allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent 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 under International Financial Reporting Interpretation Committee (IFRIC) which were adopted as of January 1, 2010:

New Standards and Interpretations

- PFRS 3 (Revised), *Business Combinations* and PAS 27 (Amended), *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
- Philippine Interpretation IFRIC 18, *Transfer of Assets from Customers*

Amendments to Standards

- PAS 39, *Financial Instruments: Recognition and Measurement (Amendment): Eligible Hedged Items*
- PFRS 2, *Share-based Payment (Amendment): Group Cash-settled Share-based Payment Transactions*

Improvements to PFRS

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

- PFRS 2, *Share-based Payment*
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- PFRS 8, *Operating Segments*
- PAS 1, *Presentation of Financial Statements*
- PAS 7, *Statement of Cash Flows*
- PAS 17, *Leases*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

Standards that have been adopted and that are deemed to have an impact on the financial statements or performance of the Group are described below:

PFRS 3 (Revised), Business Combinations and PAS 27 (Amended), Consolidated and Separate Financial Statements

PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency-denominated monetary assets and liabilities are translated in Philippine peso based on the Philippine Dealing system (PDS) closing rate prevailing at end of year and foreign currency-denominated income and expenses, at PDS weighted average rate for the year. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Receivables, accounts payable and other noncurrent liabilities, bonds payable and long term debt are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as either derivative liabilities, financial liabilities at FVPL or financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value of the financial instruments traded in active markets at the consolidated statement of financial position date is based on their quoted market prices 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 techniques that include the use of mathematical models. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

'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 a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under 'Miscellaneous expense' unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets at FVPL represent securities which are held for trading and free standing derivative (currency forward contract). Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' in the consolidated statement of income, respectively, while dividend income is recorded in 'Dividends' in the consolidated statement of income according to the terms of the contract, or when the right to receive payment has been established.

Financial instruments at FVPL

Financial instruments at FVPL include financial assets and financial liabilities that are:

- acquired and held for trading purposes
- designated upon initial recognition as at FVPL; and
- stand-alone or bifurcated embedded derivative financial instruments not designated as effective hedging instruments

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purposes of selling and repurchasing in the near term.

Financial assets and financial liabilities may be designated by management on initial recognition at FVPL when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or dividends received are recorded in interest income or dividend income, respectively. Interest incurred is recorded as interest expense in the consolidated statement of income.

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

1. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
2. a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
3. the hybrid or combined instrument is not measured at fair value with fair value changes charged through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contracts that significantly modifies the cash flows that would otherwise be required.

The Group bifurcated embedded derivatives as of December 31, 2011 pertaining to unquoted debt securities under 'Loans and Receivables'. The value of the bifurcated embedded derivatives is not significant. The Group has no bifurcated embedded derivatives as of December 31, 2011.

Loans and receivables

This accounting policy relates to the consolidated statement of financial position captions 'Cash and cash equivalents', 'Receivables' and 'Refundable deposits' (included under Prepaid expenses and other current assets). These 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 classified as 'Other financial assets held for trading' or designated as 'AFS investments' or 'Financial assets designated at FVPL'.

After initial measurement, loans and receivables are subsequently measured at cost or amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognized in 'Provision for impairment and credit losses' in the consolidated statement of income.

AFS investments

AFS investments are nonderivative financial assets which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from the reported earnings and are included in the consolidated statement of comprehensive income as 'Net unrealized loss on AFS investments'.

When the security is disposed of, the cumulative gain or loss previously recognized in consolidated statement of comprehensive income is recognized in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported in the consolidated statement of income as 'Interest income' using the EIR. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of income as 'Dividends' when the right to receive payment has been established. The losses arising from impairment of such investment are recognized as 'Provision for impairment and credit losses' in the consolidated statement of income.

Accounts Payable and other current liabilities and long-term debt

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Accounts Payable', 'long-term debt', or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

Financial Liabilities

Financial liabilities are classified as at FVPL when the financial liability is either held for trading or it is designated as at FVPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value of financial instruments are recorded in Trading and securities gain (loss) in the consolidated statement of income. Interests incurred are recorded in Interest expense in the statement of income using the effective interest method.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (where applicable, a part of a financial asset, or part of a group of financial assets) is derecognized when:

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

Where the Group 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 over the asset, the asset is recognized to the extent of the Group'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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of Financial Assets

The Group 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, which includes cash and cash equivalents, receivables and deposits, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, 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 been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for impairment and credit losses' in the consolidated statement of income.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. 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. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS investments

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, 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 consolidated statement of income - is removed from consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

Cash and cash equivalents

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

Investments in associate and joint venture

Investment in associate

Associates are entities which the Group has significant influence but not control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. The Group's share in an associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

Investment in joint venture

Investment in joint venture is accounted for under the equity method of accounting. The investment in joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the share of net assets of the joint venture, less any allowance for impairment losses.

Investments in joint ventures in the Group's financial statements are carried at cost less any allowance for impairment losses.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year in which such 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 additional costs of property and equipment.

The cost of an item of property and equipment also includes costs of dismantlement, removal or restoration and the related obligation that the Group incurs at the end of the useful life of property and equipment.

When each major repairs and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such costs are capitalized and amortized over the next major repairs and maintenance activity.

Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the property and equipment as follows:

Furniture and fixtures	2-10 years
Office improvements	10 years
Transportation equipment	5 years
Office condominium	20 years
Server and network equipment	3 years
Leasehold improvements	5 years or term of lease, whichever period is shorter

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation are credited or charged to consolidated statement of income.

When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation, amortization and any impairment in value are eliminated from the accounts and any resulting gain or loss is credited or charged to consolidated statement of income.

Software and Website

Development costs of software and website included under "Other noncurrent assets" account in the consolidated statement of financial position are capitalized and treated as intangible assets because their costs are not an integral part of the related hardware. Amortization is computed using the straight-line method over their estimated useful life of 3 years for software and 2 years for website.

Impairment of Property and Equipment, Software and Investment in Associate and Joint Venture

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit, to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount of the cash generating unit to which goodwill has been allocated, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

Revenue Recognition

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Commission income

This represents the commission received by the Company from Western Union. The Company receives commission from Western Union for every advance dollar remittance service provided by the former for the latter.

Advertising, Web Development and Internet Service

Revenue is recognized when the advertisements commence to be displayed, internet services are rendered and goods have been delivered.

Money Changing Gain

Money changing gains are related to the Group's retail foreign exchange operations in the branches. The Company provides money changing services to its clients which includes buying and selling of foreign currencies. Revenue is recognized when the service is rendered. *Share in*

Foreign Exchange Differential

Share in foreign exchange differential comes from the 3rd currency Western Union transactions. The Group gets 25.0% share for every transaction.

Interest Income

Revenue is recognized as the interest accrues, using the effective interest rate.

Dividend Income

Revenue is recognized when the right to receive payment is established.

Service Income

Service income is recognized when the services are rendered.

Management fee

Revenue is recognized as services are rendered and in accordance with the management and distribution agreement.

Gain or Loss on Sale of AFS Investments

Revenue is recognized upon receipt of confirmation of sale from brokers.

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

Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the term of the lease agreement.

Retirement Costs

e-Business has funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The Parent Company and Yehey! have unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The obligation and costs of retirement benefits are actuarially computed by an independent actuary using projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting period exceed 10.0% of the higher of the defined benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authority. 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 and carryforward benefit of unused net operating loss carry over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) 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 benefit of unused NOLCO and excess of MCIT over RCIT, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 tax assets 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 assets to be recovered.

Deferred tax relating to items recognized directly in other comprehensive income and not in the consolidated statement of income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods 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.

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

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid-in excess of par value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital paid-in excess of par value' account. If the 'Capital paid-in excess of par value' is not sufficient, the excess is charged against the 'Retained earnings'.

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

'Retained earnings' represents accumulated earnings of the Group less dividends declared.

Basic/Diluted Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share is determined by dividing net income (loss) by the weighted average number of shares outstanding during the year with retroactive adjustments for any stock split and stock dividends declared.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources 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 pretax 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 provisions due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Asset Retirement Obligation

The Group recognizes provision arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property and equipment and restoring the site where it is located, the obligation for which the Group incurs either when the asset is acquired or as a consequence of having used the asset during a particular period for purposes other than to produce inventories during that period. A corresponding asset is recognized as part of property and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pretax rate that reflects the risks specific to the decommissioning liability.

The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an interest expense. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of property and equipment. The amount deducted from the cost of property and equipment shall not exceed its carrying amount.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Events after reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Events that are not adjusting events, if any, are disclosed in the notes to consolidated financial statements, when material.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries and BSP while stock dividends are deducted from equity when approved by the BOD, shareholders of the Parent Company and the BSP. Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

Segment reporting

The Group'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 4. The Group's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Improvements to PFRSs 2010

Improvements to IFRSs are an omnibus of amendments to PFRSs. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Effective in 2012

PFRS 7, Financial Instruments: Disclosures (Amendments) - Disclosures-Transfers of Financial Assets

The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment will have no impact on the Group after initial application.

PAS 12, Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets

The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale. This amendment will have no impact on the Group after initial application.

Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate

This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine 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 adoption of this interpretation will have no effect on the financial statements of the Group.

Effective in 2013

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9, as issued in 2010, reflects the first phase of the work 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, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in the middle of 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Group will quantify the effect of the first phase of PFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture of the impact of adoption.

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates 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 judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and 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.

Judgments

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:

- a. *Determination of Functional Currency*
The Group has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Group operates and the currency that mainly influences the income and expenses.
- b. *Operating Lease Commitments - Group as a Lessee*
The Group has entered into a lease for some of its office spaces and branches. The Group has determined that it has not acquired all the significant risks and rewards of ownership of the leased properties because of the following factors: (a) the Group will not acquire the ownership of the leased asset upon termination of the lease; (b) the Group has no option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option; and (c) the lease term is only for a period of one year, renewable annually. Accordingly, the Group accounts for the lease as operating leases.
- c. *Fair value 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, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments (see Note 26).
- d. *Financial assets not quoted in an active market*
The Group 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.
- e. *Determination of whether the Group is acting as a principal or an agent*
The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:
 - whether the Group has primary responsibility for providing the goods and services;
 - whether the Group has inventory risk;
 - whether the Group has discretion in establishing prices; and
 - whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, revenue is recognized on a gross basis with the amount remitted to the other party being accounted for as part of costs and expenses.

If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in some arrangements and as an agent in other arrangements.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) *Fair value of financial instruments*

PFRS requires that certain financial assets and liabilities be carried and disclosed at fair value, which requires the use of accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. foreign exchange rates, interest rates, volatility rate), the timing and amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in the assumptions could affect the fair values of these financial assets and liabilities.

b) *Allowance for credit losses*

The Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using specific assessment approach. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

No collective assessment was performed by the Group since it only has few debtors, to which it can easily perform individual assessment.

c) *Impairment of AFS equity investments*

The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease by more than 20.0% of the original cost of investment, and 'prolonged' as greater than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

d) *Estimated useful lives of property and equipment, software and website*

The useful lives of the property and equipment, software and website are estimated based on the period over which the property and equipment, software and website are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment, software and website are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment, software and website. However, it is possible that future results or operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property and equipment, software and website during the year.

Impairment of nonfinancial assets (except Goodwill)

PAS 36, *Impairment of Assets*, requires that an impairment review be performed when certain impairment indicators are present. Determining the value in use of property and equipment and other nonfinancial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements.

e) *Impairment of Goodwill*

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Key assumptions used in value in use calculations

The calculation of value in use for both cash-generating units are most sensitive to the following assumptions explained as follows:

Discount Rates. Discount rates reflect management's estimate of the risks specific to the cash generating unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Growth Rate. Growth rate reflects management's estimate of the cash generating unit's earnings potential as a function of economic and industry growth and the unit's strategic position relative to its competitors. For purposes of the projection, a growth rate of 5.0% was used.

Sensitivity to Changes in Assumptions

With regard to the assessment of value-in-use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Goodwill amounted to ₱3.7 million as of September 30, 2011 and 2010.

f) *Asset retirement obligation*

Determining asset retirement obligation requires estimation of the costs of dismantling installations and restoring leased properties to their original condition. While the Group believes that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in the future period.

g) *Accrued retirement costs*

The determination of the Group's retirement cost is dependent on selection of certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 21 and include, among others, discount rates, rates of future salary increase, expected rate of return on plan assets and average remaining working lives of employees. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

h) *Deferred Tax Assets*

The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the budgeted taxable income of the following period. This budget is based on the Group's past results and future expectations on revenue and expenses.

i) *Legal Contingencies*

The estimate of probable costs, if any, for the resolution of possible claims is developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Based on management's assessment, there are no liabilities that require recognition arising from legal claims as of this reporting date.

4. Segment Information

For management purposes, the Group is organized into major operating business segments as follows:

a. **Investment holdings**

The investment holdings segment deals in the acquisition and sale of financial instruments.

b. **Remittance services**

The remittance services segment provides the infrastructure and services as the largest direct agent for money transfer of Overseas Filipino Workers. Beyond the remittance business, this segment facilitates the fulfillment of e-commerce transactions and serves as a payment platform for any Business to Business (B2B) or Business to Customers (B2C) initiative.

c. **Internet services**

The internet services segment is engaged in the business of internet online-related products relating to a database search engine. It also provides enterprise and consumer solutions via products of the internet.

d. **Mutual fund management**

This segment deals in the management of mutual funds.

5. Cash and Cash Equivalents

This account consists of:

	31-Mar-2012	31-Dec-2011
Cash on hand and in banks	₱349,556,553	₱252,712,417
Short-term investments	551,838,155	287,699,554
	₱901,394,708	₱540,411,971

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of one to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates.

6. Receivables

This account consists of:

	31-Mar-12	31-Dec-11
Trade	42,775,043	68,175,146
Due from:		
Western Union	207,315,327	347,017,898
Broker	-	48,291,151
Sub-agents	15,285,589	15,285,589
Affiliates	8,611,374	9,257,840
Business partners		3,195,168
Unquoted debt securities	291,279,500	296,979,500
Receivable from advertising and web development services	-	33,668,119
Accrued Interest	20,495,121	34,057,391
Advances to Officers & Employees	2,117,386	2,737,208
Miscellaneous assets	-	-
Others	18,241,267	15,692,840
	606,120,606	874,357,650
Less allowance for doubtful accounts	41,290,810	49,960,843
	564,829,796	824,397,007

Aging of Accounts Receivable as of March 31, 2012

No. of days	Trade	Due from WU & Sub-agents	Interest	Others	Total
Current		222,600,915	20,495,121	5,000	243,101,037
1-30 days	6,284,905			497,332	6,782,237
31-60 days	4,506,630				4,506,630
61-90 days	1,427,624				1,427,624
Over 90 days	30,555,884			28,534,957	59,090,841
Total	42,775,043	222,600,915	20,495,121	29,037,289	314,908,369

Due from Western Union represents pay-outs from e-Business covering fund transfers and remittance services, which were not yet reimbursed by Western Union as of the reporting date.

Due from sub-agents arising from money transfer services are shown net of related payables to the same sub-agent. Sub-agent accounts showing net payable balances are shown under 'Accounts payable and other current liabilities' in the consolidated statements of financial position.

The advances to officers and employees are either subject for liquidation or collectible through salary deduction.

The terms and conditions of receivables are as follows:

- Due from sub-agents, business partners and Western Union are noninterest bearing and are generally on a one to four days' term.

- Due from broker is noninterest-bearing and are usually collectible on a 3-day term.
- Receivables from advertising and web development services are normally collectible within two to four months after completion of the contract while other receivables are due and demandable upon completion of the transaction.
- Interest receivables are generally collectible on a 180-day term.
- Due from affiliates represents short-term noninterest bearing advances for working capital requirements.
- Other receivables such as business partners and prudential guarantees are all short-term in nature.

Due from sub-agents arising from money transfer services are shown net of related payables to the same sub-agent. Sub-agent accounts showing net payable balances are shown under 'Accounts payable and other current liabilities' in the consolidated statements of financial position.

7. Financial Assets at FVPL

This account consists of investments in:

	31-Mar-12	31-Dec-11
Designated at FVPL		
Corporate bonds	66,424,065	86,627,840
Derivative asset		
Currency forward contracts	-	111,952
	<u>66,424,065</u>	<u>86,739,792</u>

This account pertains to the Group's investment in a puttable bond with a coupon rate of 8.0% amounting to \$1,900,000 due on January 18, 2013. Bondholders have the right to sell the bonds back to the issuer at 100.0% of their principal amount on January 19, 2011.

As of December 31, 2009, this account pertains to the Group's investment in zero coupon convertible bonds amounting to \$5.0 million due on March 20, 2012. The bond is convertible into fully paid shares of the issuer with a par value of 10 each at the conversion price of ₱472.8 per share. Bondholders have the right to sell the bonds back to the issuer at 111.0% of their principal amount.

On March 19, 2010, the Group has exercised the put options on the corporate bonds. The carrying value of the corporate bonds and the proceeds from the exercise of the put options amounted to \$5.5 million. The marginal deposit amounting to US \$0.3 million used as collateral on the foreign exchange exposure was received from the trustee bank upon settlement. Also, the related currency forward contracts, with notional amount of US \$5.5 million, were settled on this date.

Currency Forward Contracts

This account pertains to forward contracts entered into by the Group to economically hedge the foreign exchange risk on the aforementioned corporate bonds and to engage in onshore-offshore arbitrage transactions. The Company's outstanding currency forward contract used in hedging has an aggregate notional amount of US \$5.4 million and US \$7.7 million as of September 30, 2011 and December 31, 2010, respectively.

8. Available-For-Sale Investments

This account consists of investments in:

	31-Mar-12	31-Dec-11
Fixed Income Securities	1,240,807,793	1,884,122,384
Unrealized Gain/Loss	121,310,727	
	<u>1,362,118,521</u>	<u>1,884,122,384</u>
Equities	1,522,127,378	1,270,928,949
Unrealized Gain/Loss	338,904,638	
	<u>1,861,032,015</u>	<u>1,270,928,949</u>
Mutual Funds / UITF / ClubShare	955,080,601	1,144,164,690
Allow. For Gain/Loss in Market Value	445,273,050	
	<u>1,400,353,651</u>	<u>1,144,164,690</u>
	<u>4,623,504,187</u>	<u>4,299,216,023</u>

9. Prepaid Expenses and Other Current Assets

This account consists of:

	31-Mar-12	31-Dec-11
Prepaid expenses	9,333,619	6,500,670
Input value-added tax	2,983,540	6,733,312
Creditable withholding tax	1,942,826	3,335,870
Others	4,009,064	2,165,200
	<u>18,269,048</u>	<u>18,735,052</u>
Less allowance for impairment losses		4,835,826
	<u>18,269,048</u>	<u>13,899,226</u>

10. Property and Equipment

This account consists of:

	31-Mar-12	31-Dec-11
Cost	325,655,516	326,912,300
Less accumulated depreciation	282,354,499	282,580,641
	<u>43,301,017</u>	<u>44,331,659</u>

11. Other Noncurrent Assets

This account consists of:

	31-Mar-12	31-Dec-11
Receivables from sale of investments	96,592,600	96,592,600
Deposits	19,729,479	18,456,517
Software and website costs	70,512,106	3,261,053
Others	638,807	795,384
	<u>187,472,992</u>	<u>119,105,554</u>
Less allowance for impairment losses	162,280,969	96,815,015
	<u>25,192,023</u>	<u>22,290,539</u>

The Parent Company's investment in Lucky Star Corporation (a company incorporated to operate off-front on betting stations in the country), was sold in 2001 since management believes that there is a significant uncertainty with respect to the recovery of this investment due to the Supreme Court decision to shut down Jai-alai operations. The receivable arising from the sale is collectible over 10 years at pre-agreed installment terms until 2012 and is fully provided with allowance for credit losses.

12. Accounts Payable and Other Current Liabilities

This account consists of:

	31-Mar-12	31-Dec-11
Due to sub-agents and brokers	79,240,337	135,273,271
Accrued expenses	58,157,987	69,935,443
Trade	22,072,558	56,555,896
Derivative liability		777,820
Others	24,816,979	25,922,604
	<u>184,287,861</u>	<u>288,465,034</u>

Terms and conditions of financial liabilities follow:

- Due to sub-agents and brokers are noninterest-bearing and are normally settled on a two to four days' term.
- Accrued interest are payable within 30 days from its accrual.
- Trade payables, accrued expenses and other payables are noninterest-bearing and are normally settled on a 60 to 90-day term.

13. Long-term Debt

e-Business availed of U.S. dollar denominated loans from Western Union Network (Canada) Limited (Western Union - Canada) amounting to \$160,000 in 2005 and another \$160,000 in 2006 and in 2008. The loans are payable in 30 equal monthly installments commencing from the first repayment date and bear an annual interest rate equal to LIBOR rate plus 1.00%.

The loan availed is secured by the Company's fund in the Settlement Account or from funds owed by Western Union - Canada amounting to ₱108.9 million and ₱219.9 million as of September 30, 2011 and December 31, 2010, respectively.

14. Asset Retirement Obligation

The Group established provision to recognize estimated liability for dismantlement of its leasehold improvements. Summary of the provisions are as follows:

	31-Mar-12	31-Dec-2011
Balance at beginning of the year	₱-	₱4,145,582
Reversal	-	(4,145,582)
Balance as of March 31, 2012	₱-	₱-

The actual decommissioning cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required completing all decommissioning activities.

15. General and Administrative Expenses

This account consists of:

	31-Mar-12	31-Mar-11
Personnel costs	28,543,712	33,520,620
Rent and Utilities	21,399,048	20,134,254
Outside services	16,056,866	16,461,198
Professional fees	3,879,389	2,739,176
Transportation travel and communication	1,182,822	1,234,955
Office Supplies	2,587,516	4,926,776
Advertising	111,360	19,285
Taxes and Licenses	3,419,697	2,573,665
Entertainment, amusement and recreation	648,837	548,162
Miscellaneous	4,337,113	5,401,018
	82,166,362	87,559,109

16. Lease Commitments

e-Business leases its office space and the space occupied by its branches with varying periods up to 15 years and, renewable on such terms and conditions as shall be mutually acceptable by e-Business and the lessors. Rent expense charged to operations amounted to ₱64.31 million in the nine month period of 2011 and ₱66.69 same period of last year.

17. Retirement Costs

e-Business has a funded, noncontributory defined benefit pension plan covering substantially all of its qualified employees. The Parent Company and Yehey! have an unfunded, noncontributory defined benefit pension plan covering substantially all of their qualified employees.

18. Equity

a. Capital Stock - ₱1 par value of common shares

The details of this account are shown below:

	2011	2010
Authorized shares	2,250,000,000	2,250,000,000
Issued and outstanding shares	2,235,390,633	2,235,390,633

On June 4, 2008, the BOD increased the Parent Company's authorized capital stock from ₱1,900,000,000 to ₱2,250,000,000, as well as the issuance of 25% stock dividend to its stockholders. This increase in capital stock was approved by the SEC and PSE on January 12, 2009, while the stock dividends were distributed to stockholders as of record date of February 10, 2009 on March 6, 2009.

b. Treasury stock

On various dates in 2009, the Parent Company reacquired a total of 26.9 million shares for an aggregate price of ₱35.1 million. The aggregate amounts are presented in the consolidated financial statements as 'Treasury stock'.

In addition, on various dates in 2010, the Parent Company reacquired a total of 134.9 million shares for an aggregate price of ₱153.4 million.

c. **Stock Option Plan**

The Parent Company has a Plan covering all its officers, directors and regular employees. Under the Plan, the option price should not be less than the average closing price of the Parent Company's stock listed in the stock exchange on the last trading day immediately preceding the effectivity of the grant. The number of shares covered by this Plan and the subscription price are subject to adjustment for any stock dividend, stock splits or rights, merger, consolidation, recapitalization and the like. As of December 31, 2010, the Parent Company has not designated the number of shares to be covered by the Plan. Thus, there are no potential common shares that would result to diluted EPS.

19. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments financial assets at FVPL, notes payable, long-term debt and bonds payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and accounts payable and other current liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risks. The BOD reviews and approves the policies for managing each risk and these are summarized below:

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations.

Market Risk

Market risk is the risk that movements of market prices will adversely affect the Group's financial condition. In managing its market risk exposure, the Group focuses on managing price (risk of loss arising from any change in the value of any asset or trading instrument) and foreign exchange risks (risk of loss arising from fluctuations in exchange rates).

Market risk of the Group's trading portfolio is measured by a statistical measure of probable loss called Value-at-Risk (VaR). The Group originally used an exponentially weighted parametric VaR with a 99.0% one-tailed confidence level. However, due to adverse market conditions at present, the said measure is being enhanced to better reflect the Group's market risk exposure. The enhancements are currently under review and subject to approval by the BOD.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's AFS investments.

The sensitivity of equity is the effect of the assumed changes in interest rates by revaluing the fixed rate AFS investments (effect on equity) and fixed rate financial assets at FVPL (effect on income) held as of statement of financial position date. The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's equity.

Foreign Currency Risk.

The Group has transactional currency exposures. The Group's financial instruments which are denominated in foreign currency include cash and cash equivalents, receivables, notes payable and long-term debt. The Group maintains several U.S. dollar and Japanese Yen accounts to manage its foreign currency denominated transactions.

The following table presents the impact on the Group's income before income tax due to change in the fair value of its monetary assets and liabilities, brought about by a reasonably possible change in the U.S. dollar to Peso exchange rates and Japanese Yen to Peso exchange rates, with all other variables held constant. There is no other impact on equity other than those affecting earnings.

The increase in U.S. dollar to Peso rate means weaker Peso against U.S. dollar while decrease in U.S. dollar to Peso exchange rate means stronger Peso against the U.S. dollar, while the increase in Japanese Yen to Peso rate means stronger Peso against Japanese Yen while decrease in Japanese Yen to Peso exchange rate means weaker Peso against the Japanese Yen.

Equity Price Risk

Equity price risk is the risk that the fair value of quoted AFS investments will fluctuate as the result of changes in the value of individual stocks. The Group's exposure to equity price risk relates primarily to the Group's quoted AFS investments.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's equity. The impact on the Group's equity already excludes the impact on transactions affecting the income before income tax. The possible change in equity prices was determined using historical closing prices of the benchmark 30-company Philippine stock index (PHISIX).

Capital Management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as long-term debts over total equity, excluding cumulative net unrealized gain or loss on change in fair value of AFS investments.

21. Basic/Diluted Earnings (Loss) Per Share

	31-Mar-12	31-Mar-11
Net income attribute to equity holder of the parent (a)	103,822,546	155,264,508
Common shares outstanding at beginning of year	2,235,390,633	2,046,869,795
Weighted share issued for the period	-	-
Weighted average common share (b)	2,235,390,633	2,046,869,795
(a/b)	0.0464	0.0759