

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Romelyn A. Obligation

Contact Person

632-0905

Company Telephone Number

1	2		3	1
Month	Day		Month	Day
Fiscal Year			Annual Meeting	

Month	Day		Month	Day
Annual Meeting				

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FORM TYPE

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

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Foreign

To be Accomplished by SEC Personnel concerned

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File Number

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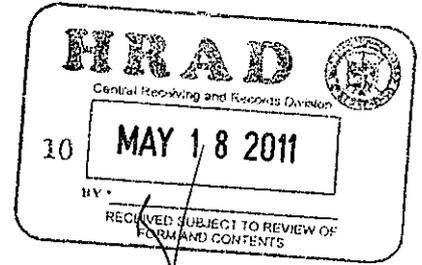
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STAMPS

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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, 2011**
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, P1.00 par value	Common Stock Outstanding
	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	Mar-11	Mar-10	Dec-10	Dec-09	Dec-08
Balance Sheet					
Assets	5,325.68	4,466.61	5,310.53	4,491.29	3,802.12
Liabilities	423.12	192.89	436.20	256.77	275.77
Stockholders' Equity	4,902.56	4,273.72	4,865.34	4,234.52	3,526.35
Book Value per Share as adjusted w/ 25% stock dividend & Treasury Shares	2.39	1.98	2.18	1.89	1.58
	Mar-11	Mar-10	Dec-10	Dec-09	Dec-08
Income Statement					
Revenues	275.61	192.75	666.62	699.79	651.42
Expenses	100.32	119.58	455.04	473.13	501.68
Other Income / (Charges)	(0.41)	(0.71)	549.74	155.27	(571.29)
Net Income	159.63	66.08	716.62	365.19	(435.86)
Earnings per Share	0.075	0.031	0.33	0.16	(0.19)
Key Ratios					
Current Ratio	4.3	5.3	5.3	5.3	4.6
Assets to Equity	1.0	1.0	1.1	1.1	1.1
Liabilities to Equity	0.0	0.0	0.1	0.1	0.1
Return on Ave. Assets	3%	2%	14.6%	9%	-11%
Return on Ave. Equity	3%	2%	15.9%	9%	-11%

Results of Operations for the Quarter ended 31 March 2011

The Company posted a consolidated net income of Php 159.6 million in 1Q11, higher by 141.5% compared to Php 66.1 million in 1Q10. On a per share basis, the company earned 7.5 centavos compared to 3.1 centavos for the periods under review.

Since late 2010, emerging stock markets have lagged developed markets as the latter rallied on the back of the Fed's Quantitative Easing Part 2 (QE2) and expectations of a stronger US recovery this year. Moreover, rising oil and food prices have threatened growth in most emerging economies as their central banks tightened monetary policy in a bid to rein in inflation. For the first three months of 2011, the S&P 500 and the MSCI World Index registered returns of 5.4% and 4.6% respectively, outperforming the 30-company Philippine index which posted a return of -3.5%. The Company's equity portfolio on the other hand gained 2.7% during the same period.

Local yields were mostly on the uptrend for the first three months of the year as higher commodity prices continue to worry investors. The 10-year benchmark rate was up 110 bps as of end-March from end-December 2010. To anchor inflation expectations, the BSP raised its overnight interest rate by 25 bps to 4.25% in March. With the uptick in yields, the Company's fixed income portfolio lost 0.3% for the first quarter of 2011, modestly outperforming the HSBC Local Bond Index which lost 1.0% in the same period.

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

eBusiness Services, Inc. ("eBiz")

eBiz achieved another record volume in 1Q11, hitting almost 997,000 transactions worth in excess of USD 225 million. In 1Q11, value of international transactions grew 6.6% from the same period last year, outpacing industry growth of 5.9%.

Despite transaction growth, net revenues from money transfer services in 1Q11 slid 2.7% from the same period last year to Php 87.9 million due to lower effective revenue per transaction and an appreciating currency.

Operating expenses fell by 10.1% to Php 81.8 million as the company continued to rationalize its costs. eBiz posted a net income of Php 8.5 million for the first quarter of 2011 from Php 13.3 million in 2010.

Yehey! Corporation ("Yehey")

Total Revenues of the Company for the first quarter of 2011 increased by P2.41 million from P8.16 million to P10.565 million, due to upscale revenue generated from Website Development.

However, Total Cost and Expenses decreased by approximately P5.3 million due to decrease in Salaries & Wages and Other Costs like Depreciation, Subscription and Writers' Fee, among others.

As such, Net Income Company increased to P4.96 million in 2011 from (P3.31) million in 2010.

Philequity Management, Inc. ("PEMI")

Net revenues in 1Q11 climbed to Php 13.6 million from Php 7.9 million in 1Q10. This brought YTD net income to Php 7.8 million, an increased of Php 4.5 million compared to Php 3.3 million net income of same period last year. The funds experienced net redemptions of Php 177.7 million for the first three months of 2011 compared to net redemptions of Php 294.1 million in 2010. Total assets under management as of end-March 2011 however increased to Php 4.6 billion from Php 2.3 billion as of end-March 2010.

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.

ART II – OTHER INFORMATION

None.

SIGNATURES

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

Registrant:



VALENTINO C. SY
Chairman

Date: May 18, 2011



AMY G. ENGCOT
Group Comptroller

Date: May 18, 2011

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Unaudited 31-Mar-11	Audited 31-Dec-10
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	678,134,706	778,376,824
Receivables – net (Note 6)	190,495,210	409,798,441
Financial Assets at Fair Value through profit or loss (FVPL)	113,726,213	114,861,429
Prepaid taxes and other current assets (Note 7)	32,064,608	20,970,304
Total Current Assets	1,014,420,737	1,324,006,998
Noncurrent Assets		
Available-for-sale securities (Note 7)	4,229,362,901	3,892,396,507
Investment in associates & JV-- net	3,820,708	3,820,708
Deferred Tax Assets	6,202,186	6,202,186
Goodwill (Note 8)	3,654,985	3,654,985
Property and equipment – net (Note 9)	48,024,541	51,698,209
Other noncurrent assets - net (Note 10)	20,191,373	19,754,982
Total Noncurrent Assets	4,311,256,693	3,977,527,577
	5,325,677,431	5,301,534,575
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 11)	191,072,261	215,142,448
Income tax payable	43,792,331	32,143,608
Current Portion of long-term debt	2,205,377	2,925,490
Total Current Liabilities	237,069,969	250,211,546
Noncurrent Liabilities		
Bonds payable (Note 12)	0	0
Deferred tax liabilities	174,969,599	175,030,767
Accrued Retirement Costs	6,934,806	6,809,806
Asset Retirement Obligation	4,145,582	4,145,582
Long-term-debt -- net of current portion	0	-
Total Noncurrent Liabilities	186,049,987	185,986,155
TOTAL LIABILITIES	423,119,956	436,197,701
Stockholders' Equity		
Equity attributable to equity holders of the parent:		
Capital stock – P1 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)	(3,209,910.00)
Cumulative net unrealized gain on change in fair value of available-for-sale investments	297,770,217	420,177,574
Retained earnings	2,441,946,502	2,286,681,994
Treasury Stocks	(188,520,838)	(188,520,838.00)
Minority Interest	119,180,871	114,817,421
Total Stockholders' Equity	4,902,557,475	4,865,336,874
	5,325,677,431	5,301,534,575

See accompanying Notes to Consolidated Financial Statements.

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) For the quarter ended Mar. 31 2011	(Unaudited) For the quarter ended Mar. 31 2010
REVENUES		
Money transfer service	87,877,406	90,206,135
Equity in net earnings (loss) of associates	-	(22,276)
Advertising, web development and internet service	6,892,043	8,159,724
Money changin and foreign exchange gain	11,324,563	20,157,267
Interest income	25,899,527	29,653,974
Trading Gain/Loss	126,775,102	31,964,812
Dividend Income	220,077	-
Income from Mutual Fund	14,388,470	8,503,577
Others	2,236,904	4,131,197
	275,614,093	192,754,410
EXPENSES		
General and administrative expenses	87,559,109	98,663,770
Cost of services and sales	7,378,650	11,824,064
Depreciation and amortization	5,377,889	9,090,946
	100,315,648	119,578,780
INCOME FROM OPERATIONS	175,298,445	73,175,630
OTHER INCOME (CHARGES)		
Interest and bank charges	(407,746)	(713,280)
Others		5,800
	(407,746)	(707,480)
INCOME BEFORE EXTRA-ORDINARY		
Income/Expense	174,890,699	72,468,150
Extra-Ordinary Income (Expense)		-
INCOME BEFORE INCOME TAX	174,890,699	72,468,150
PROVISION FOR INCOME TAX		
Current	13,751,705	16,251,351
Deferred	1,511,037	(9,867,359)
	15,262,741	6,383,992
NET INCOME/(LOSS)	159,627,958	66,084,158
Attributable to:		
Equity holders of the parent (Note 20)	155,264,433	65,494,077
Minority interests	4,363,525	590,081
	159,627,958	66,084,158
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent (as adjusted w/ 25% stock dividend & Treasury Shares)		
	0.07	0.03

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

	For the Quarter Ended March 31, 2011	For the Quarter Ended March 31, 2010
CAPITAL STOCK - 1 par 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	420,177,574	351,537,411
Unrealized Gain/(loss)	(122,407,357)	42,905,089
Balance at end of period	297,770,217	394,442,500
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	2,286,681,994	1,580,106,454
Net income (loss)	159,627,958	66,084,159
Share in Minority Interest	(4,363,450)	(456,244)
Stock Dividend	-	-
Balance at end of period	2,441,946,502	1,645,734,369
TREASURY SHARES	(188,520,838)	(116,260,185)
MINORITY INTEREST		
Balance at beginning of year	114,817,421	111,842,839
Minority share in the capital stock from issuance of property dividend	-	5,324,135
Total income and expenses recognized during the period	4,363,450	(456,244)
Balance at end of period	119,180,871	116,710,730
	4,902,557,475	4,272,808,137

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

	For the quarter ended Mar. 31, 2011	For the quarter ended Mar. 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Tax	174,890,698	72,468,150
Depreciation and amortization	5,377,889	9,090,946
Interest expense	407,746	713,230
Dividend income	(220,077)	(3,397,344)
Interest income	(25,899,527)	(29,653,974)
Operating income before working capital changes	154,556,729	49,198,732
Changes in operating assets and liabilities:		
Decrease (increase):		
Receivable	219,303,231	246,980,286
Prepaid expenses and other current assets	(11,094,304)	(1,891,727)
Increase (decrease) in accounts payable and other current liabilities	(27,559,208)	(100,344,403)
Net cash provided by (used for) operations	335,206,448	193,942,888
Interest paid	(407,746)	(713,230)
Dividends received	220,077	3,397,344
Interest received	25,899,527	29,653,974
Net cash provided by (used in) operating activities	360,918,306	226,280,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Property and equipment	(1,704,219)	(2,717,278)
Decrease (increase) in AFS/HTM	(335,831,178)	(121,616,477)
Increase (decrease) in net unrealized gain on AFS	(122,407,357)	41,835,882
Decrease (increase in) other assets	(497,559)	(10,323,261)
Net cash provided by (used in) investing activities	(460,440,313)	(92,798,857)
CASH FLOWS FROM FINANCING ACTIVITY		
Increase (decrease) in minority interest	2	12,396,274
Acquisition of Treasury Shares	-	(81,111,349)
Payment of loans	(720,113)	37,331,585
Cash used in financing activities	(720,111)	(31,383,490)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(100,242,118)	102,098,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	778,376,824	485,624,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	678,134,706	587,722,993

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

1. Corporate Information

Vantage Equities, Inc. (“Vantage” or “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	
		1Q2011	1Q2010
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
Name of Associate			
Fifth Agency Unified Services, Inc.	Philippines	25.00	25.00
Joint Venture			
Media Contacts	Philippines	50.00	–

* Indirectly owned through e-Business

** Acquired in 2007

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 100% 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.

In 2007, the Parent Company acquired additional interest in Yehey! for ₱270.8 million, raising its total ownership in Yehey! from 88.57% to 98.85%. Also in 2007, the Parent Company declared a 5% property dividend in favor of its shareholders out of its investment in shares of stock of Yehey! worth ₱89.4 million (inclusive of tax). The final distribution of Yehey! shares of stock to the Company's stockholders was made in February 2008 after receiving final tax clearance from the Bureau of Internal Revenue (BIR). After the issuance of property dividend, the Parent Company's percentage of ownership to Yehey! decreased to 68.35%.

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. Basis of Preparation and Statement of Compliance

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 comprise the financial statements of Vantage and its subsidiaries (Note 1) as of December 31 of each year. The financial statements of the subsidiaries 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. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Minority interests represent the portion of net assets and income or loss of subsidiaries not held by Vantage and are shown separately in the consolidated statement of income and consolidated statement of changes in equity.

The losses applicable to the minority in a subsidiary may exceed the minority's investment in the subsidiary. The excess, and any further losses applicable to the minority, are charged against the Group except to the extent that the minority has existing receivables or claims against the subsidiary or has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits is allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective on January 1, 2009. Adoption of these PFRS did not have any effect on the Group's financial position and financial performance.

Effective in 2009

- Philippine Interpretation IFRIC 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after July 1, 2008) — This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.
- Philippine Interpretation IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after October 1, 2008) — This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.
- Revised PAS 1, "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2009) — This standard has been revised to enhance the usefulness of information presented in the consolidated financial statements. Companies will need to consider whether to present the statement of comprehensive income as a single statement or two linked statements. This may also impact the information disclosed in the other announcements by the Group, such as press releases. The Group is currently assessing the impact of the standard on its current manner of reporting.
- PAS 23, "Borrowing Costs" (effective for annual periods beginning on or after January 1, 2009) — This standard requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of this standard, the Group will adopt this as a prospective change. Accordingly, borrowing cost will be capitalized on qualifying assets with a commencement date after January 1, 2009.
- Amendments to PAS 27, "Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate Amendments" (effective for annual periods beginning on or after January 1, 2009) — This standard has been amended in respect of the holding companies separate financial statements including (a) the deletion of 'cost method,' making the distinction between pre-acquisition and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendments to PAS 32, “Financial Instruments: Presentation” and PAS 1, “Presentation of Financial Statements” - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after January 1, 2009) — These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features; (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity’s net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder’s right to a pro rata share of the entity’s net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.
- Amendments to PFRS 2, “Share-based Payment - Vesting Condition and Cancellations” (effective for annual periods beginning on or after January 1, 2009) — This amended standard clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.
- PFRS 8, “Operating Segments” (effective for annual periods beginning on or after January 1, 2009) — This standard adopts a management approach to reporting segment information. PFRS 8 will replace PAS 14, “Segment Reporting,” and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the Securities and Exchange Commission for purposes of issuing any class of instruments in a public market. The Group is currently assessing the impact of the standard on its current manner of reporting segment information on its consolidated financial statements.

Improvements to PFRS

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. These improvements will be effective for annual periods beginning on or after January 1, 2009 except for the amendment to PFRS 5, “Noncurrent Assets Held for Sale and Discontinued Operations,” which will be effective for annual periods beginning on or after July 1, 2009. The Group has not yet adopted the following amendments and anticipates that these amendments will have no significant impact on the consolidated financial statements.

- PAS 1, “Presentation of Financial Statements” — The improvement clarifies that assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.
- PAS 16, “Property, Plant and Equipment” — The improvement replaces the term “net selling price” with “fair value less costs to sell,” to be consistent with PFRS 5, “Noncurrent Assets Held for Sale and Discontinued Operations” and PAS 36, “Impairment of Asset.” Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial

recognition of such items, the cash receipts from rents and subsequent sales of such assets are all shown as cash flows from operating activities.

- PAS 19, “Employee Benefits” — The improvement revises the definition of “past service costs” to include reductions in benefits related to past services (“negative past service costs”) and to exclude reductions in benefits related to future services that arise from plan amendments. It also provided amendment to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. The improvement further revises the definition of “return on plan assets” to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. It also revises the definition of “short-term” and “other long-term” employee benefits to focus on the point in time at which the liability is due to be settled. And, it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, “Provisions, Contingent Liabilities and Contingent Assets.”
- PAS 20, “Accounting for Government Grants and Disclosures of Government Assistance” — The improvement clarifies that loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.
- PAS 23, “Borrowing Costs” — The improvement revises the definition of borrowing costs to consolidate the types of items that are considered components of ‘borrowing costs’, i.e., components of the interest expense calculated using the effective interest rate method.
- PAS 28, “Investment in Associates” — The improvement clarifies that if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.
- PAS 29, “Financial Reporting in Hyperinflationary Economies” — The improvement revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.
- PAS 31, “Interest in Joint Ventures” — The improvement clarifies if a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 36, “Impairment of Assets” — The improvement clarifies when discounted cash flows are used to estimate “fair value less cost to sell,” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use.”
- PAS 38, “Intangible Assets” — The improvement clarifies that expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues. It also deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets

that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

- PAS 39, “Financial Instruments: Recognition and Measurement” — The improvement clarifies that changes in circumstances relating to derivatives, specifically derivatives designated or de-designated as hedging instruments after initial recognition, are not reclassifications. When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4 “Insurance Contracts,” this is a change in circumstance, not a reclassification. It removes the reference to a “segment” when determining whether an instrument qualifies as a hedge. And it requires the use of revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, “Investment Properties” — The improvement revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.
- PAS 41, “Agriculture” — The improvement removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used. It further removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the ‘most relevant market’ are taken into account.

4. Summary of Significant Accounting and Financial Reporting Policies

Financial Assets

Initial Recognition. Financial assets within the scope of PAS 39 are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

The Group recognizes a financial asset or liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets, except for derivatives, are recognized on the settlement date. Regular way purchases and sales are purchases or sales of financial assets that require delivery of assets within the period generally established by convention in the market place. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss from disposal on the day that it is delivered by the Group.

Derivatives are recognized on a trade date basis. Trade date is the date that an entity commits itself to purchase or sell an asset. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of receivable from the buyer on the trade date.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition as at FVPL, and derivative instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. The Group has no financial assets held for trading.

Financial assets designated as at FVPL by management on initial recognition 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; or
- The assets and liabilities are part of a group of financial assets, financial 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 at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively.

Derivatives Recorded at Fair Value through Profit or Loss. The Group is a party to derivative instruments, particularly, forward exchange contracts. These contracts are entered into as a means of reducing and managing the Group's foreign exchange risk, as well as for trading purposes. These derivatives are not designated as hedges under hedge accounting. Derivative financial instruments are measured at FVPL.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The resulting profit or loss is included in the consolidated statement of income.

Embedded derivatives that are bifurcated from the host financial and non-financial contracts are also accounted for at FVPL.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss. The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

AFS Investments. AFS investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Group designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. AFS investments are subsequently measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gains or losses previously recognized in equity 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 investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such financial assets are recognized in the consolidated statement of income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the balance sheet date.

Financial Liabilities

Initial Recognition. Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, directly attributable costs.

Subsequent Measurement. The subsequent measurement of financial liabilities depends on their classification.

Loans and Borrowings. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

This category includes the Group's accounts payable and other current liabilities, long-term debt, notes payable and bonds payable (see Notes 16 and 17).

Fair Value. The fair value of financial instruments traded in active markets at balance sheet date is determined by reference to quoted market price or dealer price quotations (bid price for long positions and ask price for short positions) on the balance sheet date without any deduction for transaction costs. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation technique includes net present value techniques, comparison to other financial instruments for which the market observable prices exist, options pricing models, and other relevant valuation models.

Day 1” Profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on 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” profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated 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’ profit amount.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence (such as probability of insolvency or significant financial difficulties of debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. 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 of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as 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. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flow for the purpose of measuring impairment loss. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial Asset. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the right to receive cash flows from the asset has 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 right 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the 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 the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liability. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another form from the same lender on substantially different terms, or the terms of the 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 of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable right to offset the recognized amounts and there is 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, and the related assets and liabilities are presented at gross amount in the consolidated balance sheet.

Cash and Cash Equivalents

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

Investment in an Associate

The Group's investment in an associate is accounted for under the equity method of accounting. An associate is an entity which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Property and Equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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 balance sheet 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 an Associate

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

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:

Money Transfer Service Fee. Revenue is generally recognized when the principal (Western Union) acknowledges the transaction.

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 and Foreign Exchange Gain. Revenue is recognized when the service has been rendered.

Share in Foreign Exchange Differential. Income from foreign currency exchange services is recognized when service is rendered and foreign currency denominated cash is computed to Philippine peso.

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% 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the balance sheet date. Exchange differences arising on the settlement and restatement of monetary items at rates different from those at which they were initially recorded are recognized in the consolidated statement of income in the year such difference arises.

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 balance sheet 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 balance sheet 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. 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet 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 equity is recognized in equity 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 balance sheet 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.

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.

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.

Contingencies

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 Balance Sheet Date

Post year-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to consolidated financial statements, when material.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments, estimates and assumptions used in arriving at the estimates to change.

Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have significant effect on the amounts recognized in the consolidated financial statements and accompanying notes. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

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.

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.

Estimates and Assumptions

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:

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.

Allowance for Doubtful Accounts. 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 creditors, to which they can easily perform individual assessment.

Impairment of AFS Investments. The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. For debt securities, evidence of impairment may include indications that the counterparty 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 when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

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.

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.

Impairment of Goodwill. The Group determines whether goodwill is impaired at least 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.

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.

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. The assumptions 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.

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.

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 March 31, 2011.

Financial Risk Exposures

The Company's risks are broadly categorized into credit, liquidity, and market risks. Exposures to these risks are regularly reported to both Senior Management and the Board of Directors.

Credit Risk

Credit risk is the risk of loss when a debtor or counterparty fails to perform its obligations during the life of the transaction. This includes risk of non-payment by borrowers and issuers, failed settlement of transactions and default on contracts.

The Company's credit exposures are to the National Government of the Philippines through investments in government securities, to blue-chip local firms through equity and corporate bond holdings and to commercial banks through its short-term deposits. The Company does not have any investments linked to the mortgage market in the US nor does it have transactions with investment banks.

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 Company's financial condition. In managing its market risk exposure, the Company 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 Company's trading portfolio is measured by a statistical measure of probable loss called Value-at-Risk (VaR). The Company originally used an exponentially weighted parametric VaR with a 99% one-tailed confidence level. However, due to adverse market conditions, the said measure is being enhanced to better reflect the Group's market risk exposure. The enhancements are currently under review.

Investments in Foreign Securities

The Company has exposure to zero coupon convertible bonds due in 20 March 2012 amounting to USD5.0M. The bond is convertible into fully paid shares of the issuer with par value of P10 each at the conversion price of P472.75 per share. Last 19 March 2010, the Company exercise the right to sell the bonds to the issuer at 110.97% of their principal amount.

In order to hedge the foreign exchange risk inherent in this investment, the Company sold the anticipated proceeds from exercising the bond's put option in the forward market amounting to USD5.5M at the forward rate of 50.00 for value 19 March 2010.

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.

Valuation of Financial Assets

The Company uses valuation techniques that are commonly used by market participants and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions.

Debt securities

Fair values are generally based upon quoted market prices. If market prices are not readily available or if the securities are not traded in an active market¹, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity Securities

For publicly traded equity securities, fair values are based on quoted prices published in markets. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost

Derivative instruments

Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using accepted valuation models.

Table below shows the comparison of fair values of the company's financial instruments as of March 31, 2010 and December 31, 2009:

Fair Value of Financial Instruments

	31-Mar-11	31-Dec-10
AFS Investments:		
Fixed Income Securities	1,675,541,397	1,856,431,150
Equity Securities	1,462,750,242	1,145,524,142
Other Investments	1,091,071,262	890,441,215
	4,229,362,901	3,892,396,507
Fixed income Securities designated at FVPL	113,726,213	114,861,429
	4,343,089,114	4,007,257,936

¹ A market for a particular security is usually defined as active if trading activity is relatively heavy. An active market is present when investors can acquire or dispose of large positions without significantly affecting the price.

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 starting 2007.

The Group mainly operates and generates revenue in the Philippines only, (i. e., one geographical location). Thus, geographical segment information is not presented.

5. Cash and Cash Equivalents

This account consists of:

	31-Mar-11	31-Dec-10
Cash on hand and in banks	221,397,776	271,774,956
Short-term investments	456,736,930	506,601,868
	678,134,706	778,376,824

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

	31-Mar-11	31-Dec-10
Trade	36,250,271	50,540,021
Due from:		
Western Union	102,705,834	219,913,834
Broker	-	57,894,336
Sub-agents	15,216,454	17,047,454
Business partners	16,193,643	16,921,672
Affiliates	11,505,532	11,396,487
Accrued Interest receivable	18,936,825	19,158,142
Miscellaneous assets	-	28,002,056
Advances to Officers & Employees	1,587,800	1,564,589
Others	32,572,961	30,933,961
	234,969,321	453,372,552
Less allowance for doubtful accounts	44,474,111	43,574,111
	190,495,210	409,798,441

Due from Western Union represents pay-outs from e-Business covering fund transfers and remittance services, which were not yet replenished by Western Union as of balance sheet date (see Note 1).

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 balance sheets (see Note 13).

The advances to officers and employees are either subject for liquidation or collectible through salary deduction while the advances to suppliers will be applied against future billings of the corresponding suppliers to the Company.

The terms and conditions of the financial assets are as follows:

- Due from Western Union & Due from Broker are non-interest bearing and are usually collectible on a 1 to 4-day term.
- Due from Sub-Agents are noninterest-bearing and represents seed funds and advances which are settled net of payables.
- 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.

7. Available for Sale Securities

This account consists of investments in:

	31-Mar-11	31-Dec-10
Fixed Income Securities	1,675,541,397	1,856,431,150
Equities	1,462,750,242	1,145,524,142
Mutual Funds / UITF/ ClubShare	1,091,071,262	890,441,215
	4,229,362,901	3,892,396,507

8. Goodwill

This account resulted from the Parent Company's acquisition of PEMI in 2007.

PEMI's revenue consists of management fees and commission based on 1.50% and 3.50%, respectively, of net asset value of the managed mutual fund companies.

Goodwill is subject to annual impairment testing. The recoverable amounts of the operations of PEMI has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management. The discount rate applied to cash flow projections based on the estimated cost of equity is 12.30% in 2008.

Based on the impairment test, the value in use of the cash-generating unit exceeds its carrying amount, thus, no impairment loss was recognized in the consolidated financial statements in 2008.

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. The discount rate used for the cash-generating unit is based on the estimated cost of equity, which is 12.30% in 2008. This rate was further adjusted to

reflect the market assessment of any risk specific to the generating unit for which estimates of cash flows have not been adjusted.

Exchange Rate Inflation. The assumption used to determine foreign exchange rate is a depreciating U.S. dollar of 2.00% every year.

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% 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.

9. Property and Equipment

This account consists of:

	31-Mar-11	31-Dec-10
Cost	319,703,019	320,107,680
Less accumulated depreciation	271,678,478	268,409,471
Net book value	48,024,541	51,698,209

10. Other Noncurrent Assets

This account consists of:

	31-Mar-11	31-Dec-10
Receivable from sale of investments	96,592,600	96,592,600
Software development costs	4,321,932	4,041,026
Miscellaneous deposits	15,650,111	15,461,812
Others	219,329	252,144
	116,783,973	116,347,582
Less allowance for doubtful accounts	96,592,600	96,592,600
Net book value	20,191,373	19,754,982

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 doubtful accounts.

11. Accounts Payable and Other Current Liabilities

This account consists of:

	31-Mar-11	31-Dec-10
Due to sub-agents and brokers	81,090,583	99,691,906
Trade	8,000,370	8,777,627
Accrued expenses	70,850,778	70,213,338
Derivative Liability	20,670,939	20,670,939
Others	10,459,592	15,788,638
	191,072,261	215,142,448

Terms and conditions of financial liabilities follow:

- Due to sub-agents and brokers are noninterest-bearing and are normally settled on a 2 to 4-day 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.

12. Bonds Payable

In 2005, e-Business issued a ₱300,000,000 floating rate bonds due in five years and 1 day from the date of issue. Each coupon is denominated in ₱5,000,000 and is subject to an annual interest based on 200 basis points above 1 year MART 1. As of December 31, 2008 outstanding bonds payable amounted to ₱45M. In 2009, the Group fully paid the ₱45M of its bonds payable.

13. General and Administrative Expenses

This account consists of:

	Mar-11	Mar-10
Personnel costs	33,520,620	35,906,258
Advertising	19,285	1,692,112
Rent and utilities	20,134,254	22,278,536
Outside services	16,461,198	15,959,472
Transportation, travel and communication	1,234,955	1,515,903
Professional fees	2,739,176	2,419,647
Office supplies	4,926,776	5,428,718
Taxes and licenses	2,573,665	5,237,313

Entertainment, amusement and recreation	548,162	1,119,162
Miscellaneous	5,401,018	7,106,649
	<u>87,559,109</u>	<u>98,663,770</u>

14. Basic/Diluted Earnings (Loss) Per Share Computation

	31-Mar-11	31-Mar-10
Net income attributable to equity holders of the parent (a)	155,264,508	65,494,078
Common shares outstanding at beginning of year	2,046,869,795	2,160,768,824
Weighted shares issued for the period	-	-
Weighted average common shares (b)	2,046,869,795	2,160,768,824
Earnings (loss) per share amounts (a/b)	0.075	0.030