AS0920-07059

SEC Registration Number

VANTAGE EQUITIES, INC. (Formerly i
Vantage Corporation) AND SUBSIDIA
RIES

(Fund's Full Name)

2703A East Tower, PSE Centre, Exc
hange Road, OrtigAs, Center, Pasi
g City

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

MR. EDMUNDO MARCO P. BUNYI JR.

(Contact Person)

689-8090

(Fund Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-A

(Form Type)

12 31 12

Month *Day* *Year*

Period Ended

INVESTMENT HOLDING

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

662

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

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

1. For the calendar year ended: **December 31, 2012**

2. SEC Identification Number: **AS092-007059**

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

7. Address of Principal Office: **2703A EastTower, Philippine Stock Exchange Centre Exhange Road, OrtigasCenter, PasigCity**

8. Registrant's telephone number, including area code: **(632) 689-8090**

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	**2,100,535,133 (Net of Treasury Shares of 134,855,500)**

11. Are any or all of these securities listed on the Philippine Stock Exchange
    Yes [X]   No [ ]

12. Check whether the registrant:
    a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17 (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 [X]   No [ ]

    b) has been subject to such filing requirements for the past 90 days
       Yes [X]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of 31March 2012
    P6,035,554,709.10

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Vantage Equities, Inc. (the "Corporation"), formerly iVantage Corporation, was incorporated in 20 October 1992 and is organized as an investment and financial holding company. It has authorized capital stock of One Billion Nine Hundred Million Pesos (₱1,900,000,000), all of which are in common shares with a par value of ₱1.00 per share. Of the authorized capital stock, 1,788,312,570 are outstanding and 111,687,430 remain unsubscribed. On 12 January 2009, Securities & Exchange Commission (SEC) approved the increase of authorized capital stock of the Corporation to Two Billion Two Hundred Fifty Million Pesos ₱2,250,000,000.00. Furthermore, the SEC has authorized the Corporation to issue 447,078,142 common shares out of its authorized but unissued capital stock to cover the twenty five percent (25%) stock dividend declared by the Corporation's Board of Directors on 4 June 2008 and ratified by its shareholders on 27 June 2008. As of 31 March 2012, the Corporation has an authorized capital stock of Two Billion Two Hundred Fifty Million Pesos (₱2,250,000,000.00) divided into 2,250,000,000 common shares with par value of ₱1.00 per share. Out of the authorized capital stock, 2,100,535,133 shares are issued, of which 134,855,500 shares are in treasury.

The Corporation reverted to its original name by majority vote of the Board of Directors in November 2007, which the Securities and Exchange Commission subsequently approved in April 2008. The change in corporate name is consistent with the Company's re-alignment of its investment focus towards the broad financial sector vis-a-vis its information technology focus during the early 2000's.

Purpose

The Company was originally organized with the primary purpose of oil and gas exploration, and investments and developments as among its secondary purposes. On 3 October2000, the Securities and Exchange Commission (SEC) approved the change in the Corporation's primary purpose to financial holdings and investments, including but not limited to information technology companies and related ventures. Since the Registrant is an investment holding company, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

Investments

In June 2006, the Corporation divested its shareholdings in International Exchange Bank ("iBank"), its largest single investment at that time. The iBank sale generated ₱ 2.9 billion in cash and a ₱1.6 billion gain, capping an 11-year investment period that yielded a 16% compound annual return. The PSE Index, by comparison, only broke even during the same period. The divestment was timely in light of the substantial decline in financial markets in the following years.

The Corporation decided to invest its ₱2.9 billion "war chest" in portfolio of equity and fixed-income securities. The mandate is to attain above market returns while adhering to prudent risk parameters, i.e. credit, liquidity and market risk. For this purpose, the Company hired its current President in October 2006 along with a team of finance professionals. The current team is also tasked to further professionalize management of the Vantage Group of Companies.

The operating subsidiaries that comprise the Vantage Group are the following:

<u>e-Business Services, Inc. ("eBiz") - 100% ownership</u>

Acquired in 2000, eBiz is involved in the money transfer and remittance business as a direct agent of Western Union, Inc. ("WU"). WU is the global leader in the field with a presence in over 200 countries through more than 410,000 agent locations worldwide.

The remittance market in the Philippines is over USD 17 billion annually based on official figures in 2009. With its strong brand name, WU is the recognized leader in this highly competitive market.

eBiz is among the top three (3) direct agents of WU in the Philippines. At end of 2012, eBiz had over 1,400 locations nationwide: 153 in company-owned branches and the rest in sub-agent locations. eBiz employs more than 400 employees.

eBiz Financial – 100% ownership

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

iCurrencies – 100% ownership

iCurrencies, Inc. was incorporated on 3 February 2000 and started commercial operations on 31 May 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 26 October 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.

Philequity Balanced Fund, Inc. – 100% ownership

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of 31 December 2012, the Fund has not yet launched its capital shares to the public.

Philequity Foreign Currency Fixed Income, Inc. – 100% ownership

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of 31 December 2012, the Fund has not yet launched its capital shares to the public.

Philequity Dividend Yield Fund, Inc. – 100% ownership

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of equity securities. As of 31 December 2012, the Fund has not yet launched its capital shares to the public.

Yehey! Corporation ("Yehey") – 66.97% ownership

From a pioneering web portal in the late 1990's, Yehey has grown into a leading digital on-line marketing solutions provider in the country. The company currently counts several established corporation in its roster of customers.

To support its growth, Vantage infused ₱250 million capital in Yehey in 2007. The following year, Vantage also declared and distributed a 5% property dividend in the form of Yehey shares. This has reduced Vantage's ownership in Yehey to 68% from 99% pre-dividend. The balance of 32% is now owned by Vantage shareholders by way of said property dividend.

The property dividend has transformed Yehey into a widely-held company that qualifies it to list by way of introduction in the Philippine Stock Exchange (PSE). On October 18, 2012, Yehey was listed in the PSE.

In 2012, Vantage disposed 3,891,000 shares of Yehey decreasing the ownership in Yehey from 68% to 67%.

__Philequity Management, Inc. ("PEMI") – 51% ownership__

Vantage acquired 51% of PEMI in 2007 for ₱32 million. PEMI is an asset-management company with about ₱3 billion in assets under management at end-2008. Its flagship Philequity Fund Inc. has been the top performing equity mutual fund over the past decade as ranked by the Investment Company Association of the Philippines.

Government Regulation and Environmental Compliance

The Corporation does not need any government approval for its principal products or services and is not required to comply with specific environmental laws.

Distribution Methods of Products and Services

The Corporation, being a financial holding and investment company, has no distribution methods of products and services.

__Competition of Subsidiaries__

__eBusiness Services, Inc. ("eBiz") - 100% ownership__

eBiz is characterized by a relatively strong competition among direct agents and sub-agents of Western Union. Agents primarily compete through location and customer service. It appears that the competition with other money transfer companies like Moneygram, Xoom, iRemit does not substantially affect the business of the Corporation.

__Philequity Management, Inc. ("PEMI") – 51% ownership__

As of April 2012, the Philippine mutual fund industry is composed of 48 funds with about ₱121.8 billion in assets under management (AUM). This in comparison to the mutual fund industry situation during 2002 where there are only 22 funds with a consolidated AUM of ₱24.6 billion. The mutual fund industry is sub-divided into four categories – stock, balanced, bond and money market funds with 44% of the total AUM invested in bond funds. In addition, whereas in 2002 there were about fourteen companies offering twenty two mutual funds today we have about seven major players offering forty-eight mutual funds. This is proof that the mutual fund industry is very competitive with sizeable and bank-initiated funds persisting thru different economic cycles. It is no surprise that the ebbs and flow of the mutual fund industry is mainly driven by the economic and capital markets condition of the country as the not to recent financial crisis of 2008-2009 has shown.

Philequity Management Inc. (PEMI) has four funds namely Philequity Fund (PEFI), Philequity PSE Index Fund (PPSE), Philequity Peso Bond Fund (PPBF) and Philequity Dollar Income Fund (PDIF) which mainly compete in the stock and bond funds only. The flagship fund of PEMI is PEFI which competes in the stock fund category of the mutual fund industry. PEMI's funds like any other mutual funds are marketed throughout the Philippines but concentration is mostly in Metro Manila where disposable and investable income is higher. PEMI mostly markets its funds through sales agents, advertisement through website and print publication.

The main area of competition is through return performance and pricing. On the return performance, top performing funds continue to attract subscriptions while underperforming ones continue to see redemptions. On the area of pricing, there are three pricing points investors look at: Sales load, management fee and exit fees. The mutual fund industry has varying degrees of sales load, exit fees but basically the same management fees. In addition, duration of exit varies from one company to the next with some companies offering 6 months while others up to two years in order to have no exit fees charged to investor.

PEMI's main competitors in the industry are First Metro Investment Corp., Philam Life, Sun Life of Canada and Bank of the Philippine Island. Two out of four of these companies are major banks or are subsidiaries of major banks while the other two companies are well-recognized insurance companies offering mutual funds in addition to their insurance products. Both banks are in the top five in terms of assets under management while one the insurance companies is a 150-year old, Canadian-based multi-national company with $494-billion in assets under management. The other local insurance company has 65-year track record with a ₱207-billion in assets under management. In comparison, PEMI's funds particularly PEFI has a 17-year track record of consistent return outperformance against the Philippine Stock Exchange Index (PSEi) with about ₱5.9-billion (as of April 2012) in assets under management.

Yehey! Corporation – 66.97% ownership

Yehey! considers the following as competitors:

- Digital Agencies
- Advertising Agencies

The Company considers the digital agencies as their direct competitors while the advertising agencies and media agencies are considered indirect competitors.

Digital Agencies are agencies that deliver services for the creative and technical developments of internet based products. These services range from the more Common services such as web design, e-mail marketing and microsites etc. to the more specialist such as viral campaigns, banner advertising, search engine optimization, podcasting or widget development and more. Digital agencies in the country include BBDO-Proximity, Deploy and Havoc:

BBDO-Proximity

BBDO-Proximity creates breakthrough behavior changing ideas that cause active engagement between brands and consumers. They make insights, ideas and creative works that are developed by many of the most talented people from around the world. BBDO Proximity brings customers closer to brands with innovative "Beyond the Line" strategic and creative solutions. Their services reflect their people's expertise in building relationships, changing behaviors and delivering results across all marketing disciplines and media.

Deploy

Deploy is a boutique digital solutions provider offering communications planning, media planning and buying, analytics, reputation management and digital consultancy with a focus to delivering the best in class digital solutions underpinned by ROI.

Havoc

Havoc is a premier digital marketing company in the country with over 10 years of experience in creating digital properties, it helps its clients strategize and develop campaigns that will maximize their brand in the online space. They specialize on advertising sales presentations, digital media planning and buying, web development, online communities, blog marketing and e-commerce.

Advertising Agencies (Association of Accredited Advertising Agency): These agencies are service businesses dedicated to create, plan and handle advertising for its clients. They also provide an outside point of view to the effort of selling the clients products or services. They also produce works for many types of media, creating integrated marketing communications. The top advertising agencies in the country are McCann-Erickson Philippines, Ogilvy & Mather, TBWA Santiago-Manganda-Puno, BBDO-Guerrero, Ace Saatchi & Saatchi, Jimenez Basic and J. Walter Thompson.

The very essence of Yehey's competitive advantage lies in its being the first to complete the end-to-end digital marketing solutions offering. Almost all companies that are in the business of digital marketing concentrate on either website development, or online media buying, or search engine optimization, or on digital PR, or their digital marketing services remain as added service to their existing above the line advertising efforts.

Yehey!, with its complete suite of services can offer its customers a more comprehensive digital marketing solutions package at the best possible value and with best advertising mileage in the digital space.

Financial Performance

The Company derived its revenues from various activities:

	2012	2011	2010
Commission income	313,304,937	334,087,049	350,326,588
Gain on sale of AFS investments	333,663,314	329,626,095	506,639,797
Interest income from:			
AFS investments	85,374,345	103,282,875	93,852,163
Cash and cash equivalents	22,511,417	11,148,335	13,850,853
Financial assets at FVPL	7,298,146	6,583,120	6,621,675
Unquoted debt securities	16,777,043	4,075,852	-
Others	-	386,945	-
Share in foreign exchange differential	81,507,179	85,573,235	75,767,180
Management fee and service income	87,633,738	65,414,284	43,623,335
Money changing gain	34,076,538	36,485,920	59,577,996
Dividend income	37,039,014	35,610,251	45,775,827
Advertising, web development and internet service	31,417,088	33,851,638	30,406,652
Income from business partners	8,348,495	2,868,068	2,333,776
TOTAL	**1,058,951,254**	**1,048,993,667**	**1,228,775,842**

As of December 31, 2012, the Company has a total of 477 employees as broken down below and are not subject to Collective Bargaining Agreements (CBA).

Position	No. Of Employees	Anticipated No. of Additional Employees
Executive	2	0
Senior Officer	5	1
Manager	19	7
Supervisor	123	11
Staff	328	32
TOTAL	477	51

The Corporation believes that it has maintained amicable relationships with the rank and file and does not anticipate any labor-management issues to arise in the near term. The Corporation believes that its relationship with its employees have been consistently good and productive.

Financial Risk Management

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

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

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

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

Liquidity Risk is the risk that the Group will be unable to meet its obligations when they fall due under normal and stress circumstances. To limit the 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-money market placements. These placements are maintained to meet maturing obligations.

Market Risk is the risk that movements of market prices will adversely affect the Group's financial condition. In managing its market risk exposure, the Group focuses on managing the pric (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).

Item 2. Properties

Vantage Equities, Inc. - Parent

Office Condominium - These condominium units are located at 38/F Discovery Centre, ADB Avenue, Pasig City and Unit 2005 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. These are depreciated over an estimated useful life of 20 years and accounted for on a straight-line basis.

Office Improvements - These are improvements made to the Company's office space and being depreciated over an estimated useful life of 10 years accounted for on a straight line basis.

Furniture, Fixtures and Equipment - These equipments are used by the Company in conducting its daily operations and located at Unit 2703 East Tower, PSE Centre,Exchange Road, Ortigas

Center, Pasig City. These assets are being depreciated over an estimated useful life of 3-10 years and accounted for on a straight line basis.

Transportation Equipment - These equipments are used by the Company in conducting its daily operations and depreciated over 5 years and accounted for on a straight line basis.

Leasehold Improvements - The Company is leasing its office space from New Rosario Ortigas Properties, Inc. located at 2703 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. The term of the contract is for a period of one year and renewable upon mutual agreement of the parties involved.

eBusiness Services, Inc. ("eBiz") - 100% ownership

Transportation Equipment - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 4-5 years.

Leasehold Improvements - The Company leases the spaces occupied by its branches with varying period of up to fifteen (15) years and renewable on such terms and conditions as shall be mutually accepted by the Company and the lessors. These leases are accounted for on a straight-line basis over the lease term.

Office Furniture and Equipment - This furniture and equipment are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These assets are located at the Company's Head Office in 20/F East Tower, PSE Centre, Ortigas Center, Pasig City and various branches all over the Philippines.

Software License and Software Development – These pertains to the accounting software used by the company and amortized over a period 3 years accounted for on a straight line basis.

eBiz Financial Services, Inc. – 100% ownership

The Company does not own any properties.

iCurrencies, Inc. – 100% ownership

The Company does not own any properties and already effectively stopped its business of buying and selling of currencies in May 2001 as a result of Bangko Sentral ng Pilipinas Circular No, 264, issued on October 26, 2000.

Philequity Balanced Fund, Inc. – 100% ownership

The Fund is not yet offered to the public and does not own any properties.

Philequity Foreign Currency Fixed Income Fund, Inc. – 100% ownership

The Fund is not yet offered to the public and does not own any properties.

Philequity Dividend Yield Fund, Inc. – 100% ownership

The Fund is not yet offered to the public and does not own any properties.

Yehey! Corporation – 68.35% ownership

Server and Network Equipment - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 38/F Discovery Centre, 25 ADB Avenue, Pasig City.

Furniture, Fixture and Office Equipment - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 38/F Discovery Centre, 25 ADB Avenue, Pasig City.

Transportation Equipment - These equipments are used by the Company in conducting its daily operations and depreciated over 5 years and accounted for on a straight line basis

Leasehold Improvement - The Company is leasing its office space from Vantage Equities, Inc. (the Parent Company) located at 38/F Discovery Centre, 25 ADB Avenue, Pasig City. For the years 2012, 2011, and 2010, Vantage Equities, Inc. waived its rental fee charges.

Software License – This pertains to Microsoft licenses and software used for "Kaban Project" and is being amortized over a period of 3 years and accounted for on a straight line basis.

Philequity Management, Inc. – 51% ownership

IT Equipment- These equipments are used by the Company in conducting its daily operations.

Leasehold Improvement - The Company is leasing its office space from ASIA PACIFIC BUILDWARE CORP. located at Unit E-2004A 20/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City at monthly rate of ₱96,706.14 exclusive of VAT and net of withholding. The term of the contract is for a period of five (5) years from April 1, 2012 to March 31, 2015 with P3,000 increase in the monthly rental starting on the 3rd year beginning April 1, 2012.

Office Equipment - These equipments are already fully-depreciated but still in use by the Company in conducting its daily operations and are depreciated over the estimated useful life of 5 years. These are office equipments are located at 2004A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

Office Furniture - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 5 years. Said office furniture are located in 2004A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

These properties are free from mortgage or lien. The Company has no plan of acquiring a property in the next twelve months.

Item 3. Legal Proceedings

3.1. G.R. No. 190477,
captioned *"Sure Express World Wide Corp. vs Hon. Court of Appeals and e-Business Services Inc. et. al"*;Supreme Court, Manila

Civil Case No. MC-05-2840
captioned *"eBusiness Services Inc. vs. Sure Express World Wide Corp."*; RTC Branch 214, Mandaluyong City

E-Business filed a civil action against Sure Express to comply with its obligations under the Money Transfer Service Agreement and to pay the sum of Php 508, 003.75 and US$ 22,710.16 plus attorney's fees and damages. On September 27, 2007, the lower Court rendered a decision against Sure Express. Sure Express appealed before the Court of Appeals and thereafter the Supreme Court. The Supreme Court rendered a decision on February 03, 2010 dismissing the petition which became final and executory on April 12, 2010. Our law firm filed its Entry of Appearance before the RTC Branch 214 on February 1, 2012 and thereafter on March 14, 2012 a Motion for Execution of Judgment which was granted on July 17, 2012. Considering that the whereabouts of Sure Express is unknown, the writ of execution remained unimplemented.

3.2. Civil Case No. 71390,
captioned *"e-Business Services Inc.vs. Prudential Guarantee Assurance, Inc."*;
RTC 152, PasigCity

This is a complaint filed by e-Business on November 6, 2007 against defendant for the latter's refusal to settle and/or pay E-Business insurance claim as a result of loss of money due to robbery or brigandage. e-Business claims for the aggregate amount of P1,880,085.98 and US $25,860.00 plus interest at the rateof 12% per annum from January 22, 2007, attorney's fees of not less than 20% of the claims, P500,000 as damages and the cost of suit. Since the parties failed to settle amicable during the mediation and judicial dispute resolution, the case proceeded to trial which is still pending..

3.3.Criminal Case No. MC-09-12289,
captioned *"People of the Philippines vs. Noriel G. Requiso"*; for: Qualified Theft
RTC 214, Mandaluyong City

This is a criminal case filed by e-Business as private complainant against accused Noriel Requiso on December 9, 2008 after the latter unlawfully took the sum of Php 1,150,000.00 from the vault of E-Business' Edsa Market Place. On June 5, 2009, E-Business filed a Motion to Cancel Passport of the accused who was then known to be abroad. However, the Court denied aforesaid motion. Considering that the warrant of arrest cannot be implemented since accused whereabouts is unknown, the instant case is archived.

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

No matter was submitted to a vote of the security holders during the fourth quarter of 2012.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

	2013		2012		2011	
	High	Low	High	Low	High	Low
1st Quarter	2.7	2.6	1.91	1.85	1.88	1.43
2nd Quarter	n/a	n/a	1.83	1.83	1.71	1.71
3rd Quarter	n/a	n/a	1.90	1.88	1.46	1.46
4th Quarter	n/a	n/a	2.45	2.41	1.71	1.67

As of 31 March 2012, there were 656 shareholders of the 2,100,535,133 common shares issued and outstanding. As of the close of trading on 27 March 2012, the Registrant's shares were traded at the price of ₱2.70 per share in Philippine Stock Exchange.

On November 10 2009, the BOD approved the proposal to buy back from the market up to Three Hundred Million Pesos (P300,000,000.00) worth of shares of the Corporation. As of March 31, 2011, the total number of shares repurchased from the market is 134,855,500 worth P188.52 million.

On June 4, 2008, the BOD increased the Company's authorized capital stock from P1.9B to P2.25B, as well as the issuance of 25% stock dividend to all stockholders. This increase in capital stock was approved by the SEC on 12 January 2009, while the stock dividends were distributed to stockholders as of record date of 10 February 2009 on 06 March 2009.

In 2007, the Parent Company declared a five percent (5%) property dividend in favor of its shareholders-of-record as of 18 May 2007, payable in the form of common shares of Yehey! worth P89,415,629. In February 2008, the Parent Company distributed the property dividends declared.

There is no sale of unregistered securities within the past four (4) years.

Top 20 shareholders as of December 31, 2012:

	RECORD OWNER	NO. OF SHARES	% TO TOTAL
1	PCD NOMINEE CORP.	2,098,414,395.00	93.87%
2	SYSMART CORP.	60,178,375.00	2.69%
3	TRANS- ASIA SECURITIES, INC.	6,830,000.00	0.31%
4	SYSMART CORPORATION	5,000,000.00	0.22%
5	EAST PACIFIC INVESTORS CORPORATION	4,520,000.00	0.20%
6	A. BROWN COMPANY, INC.	3,441,250.00	0.15%
7	LUCIO W. YAN &/OR CLARA YAN	3,406,250.00	0.15%
8	OCX DEVELOPMENT CORPORATION	3,200,000.00	0.14%
9	RICARDO L. NG	1,624,375.00	0.07%
10	AGAPITO C. BALAGTAS, JR.	1,437,500.00	0.06%
11	APRICINIA B. FERNANDEZ	1,437,500.00	0.06%
12	SUZANNE LIM	1,437,500.00	0.06%
13	HARLEY SY	1,437,500.00	0.06%
14	CYGNET DEVELOPMENT CORPORATION	1,406,250.00	0.06%
15	JERRY TIU	1,365,625.00	0.06%
16	CAMPOS, LANUZA & CO., INC.	1,161,500.00	0.05%
17	WILSON L. SY	1,150,000.00	0.05%
18	PCD NOMINEE CORPORATION (NON-FILIPINO)	1,124,687.00	0.05%
19	JOHN PETER YU &/OR JUAN YU	800,000.00	0.04%
20	AVESCO MARKETING CORPORATION	718,750.00	0.03%

Dividends

Vantage Equities, Inc. has not declared any cash dividends the past three (3) years.

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

In Millions	2012	2011	2010
Balance Sheet			
Assets	7,825.13	5,841.93	5,301.53
Liabilities	1,192.88	308.57	436.20
Stockholder's Equity	6,632.25	5,533.36	4,865.33
Income Statement			
Revenues	1,058.95	1,048.99	1,228.77
Expenses	482.42	511.78	508.83
Other Income/(Charges)	(6.44)	(7.39)	(3.32)
Net Income	570.09	529.82	716.62
Earnings per Share	0.26	0.25	0.33
Key Performance Indicators			
Current Ratio (Current Assets/Current Liabilities)	2.31	3.89	5.29
Leverage Ratio (Total Debt/Total Equity)	0.18	0.06	0.09
Comprehensive Return on Equity (Comprehensive Income/Total Equity)	0.17	0.12	0.15
Book Value Per Share	2.97	2.48	2.18

Results of Operations for the Year Ended 2012 (Y2012 vs Y2011)

The Company posted a consolidated net income of Php570.1 million as of December 31, 2012, higher by 7.6% compared to Php529.8 million in 2011. On a per share basis, the company earned Php0.26 as of December 31, 2012 compared to Php0.25 centavos as of December 31, 2011.

Despite global macroeconomic headwinds such as the US fiscal cliff, the EU sovereign debt crisis, threat of a China hard landing and slowing global growth, global equity markets have managed to perform strongly in 2012 on the back of monetary easing by most central bankers. The ECB's Outright Monetary Transactions (OMT) and the US Fed's Quantitative Easing 3 (QE3) in 3Q12 have spurred a rally in global equities markets. For the year, the S&P 500 and the MSCI World Index registered returns of 13.4% and 13.2%, respectively, compared to a flat growth and and -7.6%, respectively, in 2011.

Not to be outdone, the local equities market performed even better than its Western counterparts on the back of improvements in the country's fiscal position, four benchmark rate cuts from the BSP and strong domestic consumption. For the year, the PHISIX and the Company's equity portfolio gained 33.0% and 30.6%, respectively, compared to 4.1% and 4.9%, respectively, in 2011.

On the fixed income side, yields were mostly on a downtrend in 2012 as a result of credit rating upgrades from Standard & Poor's and Moody's and of easing monetary policy. 10-year and 20-year benchmark yields were lower by 101 bps and 61 bps respectively from end-2011 to end-2012. The Company's fixed income portfolio gained 9.5% in 2012, outperforming the benchmark HSBC Local Bond Index which gained 8.9% during the same period. In 2011, the Company's fixed income portfolio and the HSBC Local Bond Index gained 13.4% and 12.8% respectively.

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

eBusiness Services, Inc. ("eBiz")

eBiz continue to achieve record money transfer volume, hitting over 4.4 million transactions worth in excess of USD 1.0 billion in 2012. However, despite transaction growth, money transfer revenues still fell 5% YoY to Php394.8 million due to the contractual reduction in the Company's share of fees from Western Union and an appreciating currency. The decline in money transfer revenues was partly offset by slightly higher revenues from the Company's foreign exchange operations and other products which increased to Php57.7 million in 2012 from Php57.0 million in 2011. Meanwhile, as a result of the Company's continued efforts to rationalize its costs, general and administrative expenses fell by 5% YoY to Php379.6 million from Php401.1 million in 2011. After provisions and taxes, eBiz posted a net income of Php48.0 million in 2012, up 20% from Php40.0 million in 2011.

Yehey! Corporation

The Company experienced a 7% decline in revenues to P31.4 million in 2012 from P34 million in 2011. Although revenues from Digital PR increased significantly by 87% from P10 million to P19 million, web production revenues decreased by 47% from P18 million to 19 million. Likewise, no revenue from digital strategy was achieved for 2012, coming from a revenue of P3.3 million in 2011.

The decline in revenues is mitigated by a 13% decline in total cost and expenses from P36 million to P31 million. General and administrative expenses decreased considerably as a result of lower provision for credit and impairment losses. All other costs have insignificant changes from 2011 to 2012.

Over-all, the Company posted total comprehensive income of 14 million, an 85% improvement from an income of P7.5 million in 2011.

Philequity Management, Inc.

The year 2012 saw a significant increase in the equity markets with the Philippine Stock Exchange Index (PSEi) returning 33.0% compared to 4.1% in 2011. This double digit return helped increase investors' interest in mutual funds, particularly equity funds.

As of end-2012, the Company's assets under management increased 41.4% to Php6.9 billion from Php4.9 billion as of end-2011. Net sales likewise increased 138.9% from Php197.2 million in 2011 to Php471.1 million in 2012. As a result, service income increased 33.9% to Php87.0 million from Php65.0 million in 2011. After expenses and taxes, comprehensive income in 2012 increased 54% to Php34.1 million.

Other Matters

The Parent Company and its wholly-owned subsidiary, e-Business Services, Inc., continuously enter into currency forward transactions with bank counterparties to hedge their foreign exchange risk. The nominal amounts of these contracts are off-balance sheet while revaluation gains or losses are recognized as Miscellaneous Asset or Miscellaneous Liability, respectively.

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

Income Statements items -Y2012 versus Y2011

6.22% decrease in commission income
Due to reduction in share of fees from Western Union

7.19% decrease in internet sales and services
Mainly due to absence of revenue from digital strategy.

33.97% increase in mutual fund income
Mainly due to increase in assets under administration.

6.43% decrease in general and administrative expenses
Mainly due to increase personnel costs.

8.74% increase in cost of services and sales
Primarily due to increase in digital public relations costs.

Balance Sheet items – Y2012 versus Y2011

153.35% increase in cash and cash equivalents
Primary due to higher short-term investments.

23.52% increase in receivables
Significantly due to increase in receivable from Western Union and acquisition of Puregold unquoted debt security of Php 150M.

419% increase in Financial Assets at Fair Value Through Profit and Loss (FVPL)
Primary due to quoted government bonds.

12.96% increase in available-for-sale securities
Largely due to increase on equities and mutual fund investments.

97.6% decrease in investments in associate and joint venture
Mainly due to disposal of joint venture investment.

37.29% decrease in prepayments and other current assets
Largely due to decrease in prepayments.

87.15% increase in deferred tax assets
Attributable to increase in allowance for credit losses.

294.32% increase in liabilities
Mainly due to availment of USD denominated unsecured short-term loans from banks.

94% increase in cumulative unrealized gain on change in fair value of available-for -sale investments
Mainly due to revaluation of fixed income and equities securities.

Results of Operations for the Year Ended 2011 (Y2011 vs Y2010)

The Company posted a consolidated net income of Php 529.8 million and Php 716.6 million in 2011 and 2010 respectively. On a per share basis, this translates to a Php 0.25 income in 2011 compared to Php 0.33 income in 2010.

2011 proved to be a volatile year for most equities markets. The Fed's second round of quantitative easing during the latter part of 2010 spurred a rally in developed markets in 1Q11. However, equities were hammered for most of the second half as the European debt crisis continued to unravel and as developed economies continued to experience lackluster growth. The S&P 500 and the MSCI World Index posted returns of 0.4% and -7.8%, respectively in 2011 compared to 12.8% and 9.6%, respectively in 2010.

Meanwhile, ASEAN markets have fared relatively better due to healthier fiscal positions and more robust domestic economies. In particular, the Philippines continue to enjoy a healthier business climate and a stronger external position. Its domestic-driven economy has likewise insulated it from external shocks such as the global slowdown and the EU crisis. As a result, the Phisix posted a return of 4.1% in 2011 while the Company's equity portfolio gained 4.9% during the same period. In 2010, the Phisix gained 37.6% while the Company's equity portfolio posted a return of 46.3%.

Political stability and an improved fiscal and monetary environment have prompted debt ratings agency S&P to upgrade its outlook on the Philippines' long-term foreign currency debt to positive. As a result, interest rates trended lower especially on longer-dated securities. The 10-year benchmark fell by almost 70 bps from 6.1% in 2010 to 5.4% in 2011. The Company's fixed income portfolio gained 13.4% in 2011, outperforming the HSBC Local Bond Index which rose 12.8% during the same period. In 2010, the same portfolio posted a gain of 13.5% compared to a12.1% gain of the benchmark.

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

eBusiness Services, Inc.

eBiz achieved another record volume in 2011, hitting over 4.2 million transactions worth in excess of USD 960 million. Value of international transactions grew 5.7% in 2011 compared to industry growth of 7.2%.

Despite volume and value growth, net money transfer revenues in 2011slid 3.7% to Php 357 million from Php 371 million in 2010. The decline can largely be attributed to the contractual reduction in the Company's share in Western Union's money transfer charges last September 2011. Furthermore, the continued appreciation of the Philippine peso against the US dollar from an average of 45.06 in 2010 to 43.30 in 2011 dampened the Company's earnings.

Meanwhile, eBiz's efforts to raise operating efficiencies have resulted to cost savings of about Php 4 million, as expenses declined to Php 354 million in 2011 from Php 358 million in 2010.
However, because of weaker top line growth, 2011 net income fell 45.0% to P37 million from P67 million in 2010.

Yehey! Corporation

A quasi reorganization which involved a re-alignment in management and rationalization of personnel was started sometime in the middle of 2010. Likewise, cost cutting and production efficiency measures were introduced that year and continued to 2011. Thus in 2011, Yehey!'s financial performance improved substantially, posting net profit of P11.4 million from a net loss of P9.45 million in 2010.

Revenues in 2011 registered an 11% increase at P33.9 million, from P30.4 million in 2010. Biggest contribution to revenue came from Web Development and Digital PR Services with combined revenues of about P28 million. Digital Strategy services also contributed a respectable amount of P3.3 million, considering that this service was relatively a new product offering of the Company. The improvement in revenue generation must be due to more consistent requirements from existing clients and new clients who have been happier with the delivery of Yehey's services.

Another improvement in the financial performance of the Company was the remarkable decline in Cost of Services from P30.2 million in 2010 to P17.8 million in 2011, when full impact of the personnel rationalization was realized. By the end of 2011, personnel count was at 30 from a high of 68 in 2009.It could be said that a most efficient ratio of sales to production has been achieved.

Meanwhile, General and Administrative Expenses also decreased by 16% to P20 million as a result of continuous and prudent management of all company resources. Also, lower provisions were made in 2011 for credit losses and impairment due to an improved collection period.

Noteworthy, are the other contributors to Net Income, as follows: [1] P2.2 million income recognized from the reversal of prior years provision for commission which was never distributed as revenue targets were not met year on year;[2] P1.1 million representing 50% share of the 2011 Net Income of Media Contacts, a joint venture undertaking of Yehey! with Media Contacts, S.A

Philequity Management, Inc.

PEMI's 2011 revenues increased from Php43.6 million in 2009 to Php69.7 million. In line with the strength of ASEAN economies and their relative outperformance vis-à-vis developed economies, the mutual funds that the Company manages posted net subscriptions of Php 197 million in 2011 while total assets under management further increased to Php 4.9 billion as of end-2011 from Php 4.4 billion as of end-2010.

PEMI's operating expenses amounted to Php 25.0 million and Php12.5 million in 2011 and 2010 respectively. This resulted to a net income of Php23.6 million in 2010 from Php16.3 million in 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 estimate of amount reported in 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 year that have not been reflected in the financial statements. 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.

Results of Operations for the Year Ended 2010 (Y2010 vs Y2009)

The Company posted a consolidated net income of Php 716.6 million and Php 365.2 million in 2010 and 2009 respectively. On a per share basis, this translates to a Php 0.33 income in 2010 compared to Php 0.16 income in 2009.

The unprecedented fiscal stimulus from governments worldwide and the continued quantitative easing by the US Federal Reserve have resulted to a global economy bottoming out in 2009 after suffering from the worst financial crisis since the Great Depression. This, in turn, has set the stage for a more sustained recovery in 2010, wherein valuations came closer to their fair value levels. The S&P 500 and the MSCI World Index posted more modest returns of 12.8% and 9.6%, respectively in 2010 from 23.5% and 27.0%, respectively in 2009.

On the domestic front, the smooth transition of power after a successful national elections has resulted to an improved business confidence and outlook. The Company's equity portfolio gained 46.3% in 2010, outperforming the Phisix which rose 37.6% during the same period. In 2009, the same portfolio posted a return of 50.6% compared to a 63.0% gain of the benchmark.

Investors were also optimistic that the present government can rein in the fiscal deficit while still promoting economic growth. As a result, the yield curve has flattened and interest rates have gone down. The Company's fixed income portfolio gained 13.5% in 2010, modestly outperforming the HSBC Local Bond Index which rose 12.1% during the same period. In 2009, the same portfolio posted a gain 13.2% compared to an 8.3% gain of the benchmark.

For 2011, the Company maintains its positive outlook on the back of a strengthening US economy. Inflation will be a key watch out as commodity prices continue on the uptrend.

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

eBusiness Services, Inc.

eBiz achieved another record volume in 2010, hitting over 4.0 million transactions worth in excess of USD 900 million. Value of international transactions grew 9.2% in 2010, modestly outpacing industry growth of 8.2%.

Despite volume and value growth, net money transfer revenues in 2010 slid 3.3% to Php 371 million from Php 383 million in 2009. The modest decline was mainly due to Western Union discounting the fees charged in some of its remittance corridors to enhance competitiveness. Furthermore, the strengthening of the Philippine peso against the US dollar dampened eBiz's earnings as the average exchange rate moved to 45.06 in 2010 from 47.61 in 2009.

Meanwhile, eBiz's efforts to raise operating efficiencies have resulted to cost savings of about Php 19 million, as expenses declined to Php 358 million in 2010 from Php 377 million in 2009. Due to lower costs, net income in 2010 even grew 18.0% to P67 million from P56 million in 2009.

For 2011, eBiz expects OFW remittances to further strengthen. The Company likewise expects to reap the benefits from its investment in various strategic programs in 2010 and be able to take advantage of the growing remittance industry.

Yehey! Corporation

The consistent losses of Yehey! Corporation during the previous years, prompted the shareholders to exercise a quasi-reorganization which involved a re-alignment in management and rationalization of personnel. The re-organization which started middle of 2010, resulted in an improved financial performance of the company.

Gross Revenues of Yehey! in 2010 declined by 20%, from Php38 million in 2009 to Php30.4 million in 2010. The decline in gross revenues is largely attributed to the lower revenues contributed by the web development segment in 2010 of about Php19 million from Php28 million in 2009. Likewise, Portal and E- commerce segment contributions decreased by Php1.5 million. Only the Media Sales and Digital PR segments showed improvement in revenues. Media Sales revenues increased to Php6 million in 2010 from Php2.3 million in 2009 while Digital PR revenues marginally improved to Php4.7 million in 2010 from Php4.4 million in 2009.

A number of factors contributed to the general decline in revenues, as follows: a) a more prudent account acquisition taking into account credit-worthiness of the clients, b) focus made on operational efficiency which in the long-term, should improve client satisfaction and therefore increase client retention ratio. The decline in revenues was expected and seen as temporary in 2010. The trend should improve in 2011.

While revenues declined, more efforts were exerted in bringing down the total costs of the company. Cost of services decreased by 27%, from Php41.5 million in 2009 to Php30.2 million. The decline is a result of reduction in cost Salaries and Wages, as personnel count went down to 35 from 68 in a period of 1 year. Freeze hiring was initiated, thus no replacements were made for resigned employees. This mandate is still currently in place until a most efficient ratio of sales to production is achieved. General and Administrative Expenses likewise decreased from Php17 million in 2009 to Php11.5 million in 2009 as savings from rent, utilities, transportation and travel were achieved.

However, bigger provisions were made for Doubtful Accounts to reflect the existing collection probability. Said allocation resulted in a bigger operating loss for the Company from Php23.5 million in 2009 to Php28 million in 2010.

Yehey's investment in Media Contacts likewise reflected a loss of Php3.1 million in 2010, thus, widening the gap of net loss from 2009.

Philequity Management, Inc.

PEMI's 2010 revenues increased from Php31.4 million in 2009to Php43.6 million. In line with the global economic recovery and improved business outlook locally, the mutual funds it manages posted net subscriptions of Php 750 million in 2010 while total assets under management further increased to Php 4.4 billion as of end-2010 from Php 2.5 billion as of end-2009.

PEMI's operating expenses amounted to Php 12.7 million and Php10.5 million in 2010 and 2009 respectively. This resulted to a net income of Php16.3 million in 2010 from Php14.2 million in 2009.

During the first half of 2010, the General Manager of PEMI tendered his resignation, which resulted to expansion plans being temporarily put on hold. However, the asset management and servicing teams of the Company remain intact such that clients can continue to expect only the highest standards of professionalism with respect to management of their investments.

Item 7. Financial Statements

The audited consolidated financial statements and schedules listed in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Information on Independent Accountant

SGV & Co. is the external accountant of the Company. The aggregate fees billed for each of the last two years for professional services rendered by the Company's external auditors in connection with annual audit of the Consolidated and Parent Company Financial Statements for statutory and regulatory filings are summarized below:

	2012	2011
Audit fee	755,040.00	704,704.00
Tax Services		-
Other Fees		-
TOTAL	755,040.00	704,704.00

The Independent Accountant does not render tax accounting compliance, advice, planning and other forms of tax services for the Corporation. The Independent Accountant also does not render other services for the Corporation.

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

There are no changes and matters of disagreement with accountants on any accounting & financial disclosures the last two (2) most recent fiscal years.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Office	Period Served	Name	Citizenship	Age
Director	2003 to present	Ignacio B. Gimenez	Filipino	68
Director Chairman & CEO	2002 to present 2005 to present	Valentino L. Sy	Filipino	57
Director President & COO	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	48
Director Treasurer	2003 to present 2005 to present	Joseph L. Ong	Filipino	59
Director	1999 to present	Willy N. Ocier	Filipino	56
Director	2003 to present	Roberto Z. Lorayes	Filipino	69
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	60
Director	2005 to present	Antonio R. Samson	Filipino	67
Director	2012 to present	Gregorio U. Kilayko	Filipino	58
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	57
Asst. Corporate Secretary	2011 to present	Darwin S. Ocampo	Filipino	29

In accordance with the Corporation's By-Laws, the members of the Board of Directors are elected annually and therefore serve for a year after election.

The following is a brief write-up of the Board of Directors and Executive Officers.

Valentino C. Sy

Mr. Sy is currently the Chairman and Chief Executive Officer of the Company. He has been a Director of the Company since 2002. He is the President of Equinox International Corp. (1996 - present). He was the Regional Manager of Duferco International Trading Ltd., Taiwan (1987 – 1995) and Erlanger Metals Ltd., Hong Kong (1979 – 1986). All these companies are engaged in trading of steel. He holds a degree in Industrial Management Engineering from the De La Salle University.

Edmundo P. Bunyi, Jr,

Mr. Bunyi is currently the President and Chief Operations Officer of the Company. He became a Director of the Company in October 2006. Concurrently, he is a Director (2006-present) of Yehey! Corporation, an online search engine and web portal & e-Business Services, Inc., a Western Union franchise (2006-Jan, 2008). He was appointed President and Chief Executive Officer of eBusiness Services, Inc. effective February 2008 - present. He is also the President and Chief Operations Officer of Philequity Management, Inc., an investment company adviser, since October 2006. He is the former Senior Vice President and Treasurer of International Exchange Bank, Assistant Vice President and Head of FCDU & FX Sales of United Coconut Planters Bank, Assistant Manager for Corporate Banking Group of Far East Bank and Trust Company, and Assistant Manager for the Corporate Banking Department of Union Bank of the Philippines. He holds a degree in Management Engineering from the Ateneo de Manila University.

Ignacio B. Gimenez

Mr. Gimenez became a Director of the Company in 2003. He is the Treasurer of I. B. Gimenez Securities, Inc., a stock brokerage firm (1976 - present). He is the President of the following mutual funds, namely, Philequity Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity PSE Index Fund, Inc. and Philequity Peso Bond Fund, Inc. (formerly Philequity Money Market Fund, Inc.). He is also the Sales and Marketing Manager of Society Publishing, Inc. (1991 - present). He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967).

Joseph L. Ong

Mr. Ong is the treasurer of the Company and became a director in 2003. He is a director as well of Yehey! Corp., eBusiness Services Inc, and Philequity Management Inc. Currently, he is president of Chemcenter Corporation, a company engaged in import and distribution of industrial chemicals. Previously, he was connected with Exxon Chemical/Exxon Corp holding positions in sales, marketing, planning, and audit functions both here and abroad. He holds a degree in Chemical Engineering, Magna Cum Laude, from De La Salle University.

Willy N. Ocier

Filipino, 56, is the Chairman and President of the Company and has been a Director since 29 July 1999. He also serves as Co-Vice Chairman of Belle Corporation and Highlands Prime, Inc., as Chairman of Tagaytay Midlands Golf Club, Inc., APC Group, Inc., and Sinophil Corporation. He is also the current Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and is a Director of Vantage Equities, Inc.. He was also previously affiliated with Eastern Securities Development Corporation being its past President and Chief Operations Officer.

Roberto Z. Lorayes

Mr. Lorayes became a Director of the Company in 2003. Currently, he is the Chairman (1994 – present) of Philequity Management, Inc., a fund management company, and President (1993 – present) of Strategic Equities Corporation, a stockbrokerage firm. He is also a Director (1998 – present) of Hiedelberg Motors Corporation, dealer of automobiles.

Wilson L. Sy

Mr. Sy was reelected to the Board in 2005. He is a former Director of the Company (1993 – 2000). Currently, he is the Vice Chairman of Asian Alliance Holdings, Corp. and Director of Philequity Management, Inc., Xcell Property Ventures, Inc., and Monte Oro Resources & Energy, Inc. Mr. Sy is also an Independent Director of the reporting corporations The Country

Club at Tagaytay Highlands, Inc., Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa and Lodge at Tagaytay Highlands. He is presently the Chairman of the Manila Stock Exchange Foundation, Inc. He was a former Chairman of the Philippine Stock Exchange, Inc., a Director of Basic Petroleum & Minerals, Basic Diversified Ind., Belle Corp., Saniwares Manufacturing, A. Brown Corporation, and Jollibee Foods Corporation; and a trustee of the PSE Foundation, Inc. He holds a degree in Management Engineering from the Ateneo de Manila University.

Antonio R. Samson

Mr. Samson became a Director of the Company in 2005. He is concurrently the Group Chairman, Chief Business Strategist of DDB Worldwide Communications Group, Inc., an advertising company. He is the former President and CEO of OMD Philippines, where he also previously served as Chairman. The company is an international media planning and buying agency with regional office in Singapore. He is also a thrice-weekly columnist of Business World (since 1984 in then Business Day) and is the President of the Manila Chamber Orchestra Foundation and the Metropolitan Museum, and Chairman of the Advertising Foundation. From 1982 to 2003, Mr. Samson worked with the Philippine Long Distance Telephone Company, where his last position from 1999 until his early retirement was Executive Vice President, and concurrently President and CEO of MediaQuest Holdings, Inc.

Mr. Samson holds a Bachelor's of Arts Degree in Economics from the Ateneo de Manila University, a Masters Degree in Business Administration from the Asian Institute of Management, and a Masters Degree in Business Economics from the University of the Asia and the Pacific (then Center for Research and Communication).

Gregorio U. Kilayko

Mr. Kilayko was elected as an independent director in 2012. He is presently the Chairman of ABBA Motors, a Director of The Royal Bank of Scotland, and an Independent Director of SM Prime Holdings, Inc., Belle Corporation, and Highlands Prime Leisure, Inc. He was also the founding head of ING Barings' stock brokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from Wharton School of the University of Pennsylvania.

A. Bayani K. Tan

Filipino, 57, is the Corporate Secretary of the Company. He is also currently a Director, Corporate Secretary, or both, of the following reporting companies: First Abacus Financial Holdings Corporation, Belle Corporation, Sinophil Corporation, Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Vantage Equities, Inc., Touch Solutions, Inc., I-Remit Inc., Destiny Financial Plans, Inc., Philequity Funds, Inc., Philequity PSE Index Funds, Inc., Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc. Philequity Strategic Growth Fund, Inc. and TKC Steel Corporation. He is the Managing Partner of Tan Venturanza Valdez Law Offices and also a Director, Corporate Secretary, or both of private companies such as Sterling Bank of Asia Inc, Oakridge Properties, Inc., JTKC Equities, Inc., The Discovery Leisure Company, Inc., Goodyear Steel Pipe Corporation, Southern Visayas Property Holdings, Inc., Hella-Phil, Inc., Monte Oro Resources & Energy Inc., FHE Properties, Inc., SCT Furnishing, Inc. City Cane Corporation, Destiny LendFund, Inc., E-Business Services, Inc. Yehey Corporation, Treasure Steelworks Corporation, Tera Investments, Inc., Star Equities, Inc., Medicare Plus, Inc., Pharex HealthCorp., and Highlands Gourmet Specialist Corp. Atty. Tan is a member of the Philippine Bar. He holds a Bachelor of Arts Degree from the San Beda College, a Bachelor of Laws Degree from the University of the Philippines College of Law, and a Master of Laws Degree from the New York University School of Law.

Darwin S. Ocampo

Filipino, 29, is the Assistant Corporate Secretary of the Company. He is also currently the Assistant Corporate Secretary of the following reporting companies: Tagaytay Highlands

International Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands Inc, Yehey! Corporation, Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Balanced Fund, Inc., and Philequity Dollar Income Fund, Inc. He is also the Director, Corporate Secretary, or Assistant Corporate Secretary of private companies such as Mio Magazine, Inc., Arquee Corporation, Elevate Financial Solutions Inc., Hambrecht & Quist Philippines, Inc., and Professional Parking Management Corporation. Atty. Ocampo is a member of the Philippine Bar and a Special Lecturer in the Pamantasan ng Lungsod ng Maynila. He holds a Bachelor of Arts in Political Science Degree and a Juris Doctor Degree from the University of the Philippines.

Family relationships among Directors:

Messrs. Valentino Sy and Wilson Sy are brothers.

Independent Director

Mr. Antonio R. Samson was nominated and reelected as the independent directors of the Company in compliance with the requirements of Rule 38 of the Securities Regulation Code.

Involvement in Certain Legal Proceedings

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

Except as provided below, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corporation (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, Mr. A. Bayani K. Tan. Other than the Complaint for Estafa (docketed as I.S. No. 08-K-19713) filed before the City Prosecutor of Manila, all the legal actions initiated have been dismissed. A Counter-Affidavit has already been filed before the City Prosecutor in I.S. No. 08-K-19713 seeking to dismiss the Complaint for lack of cause of action. As of 29 February 2012, the case is still pending resolution by the City of Manila, Office of the City Prosecutor.

Significant Employees

No employee is expected by the Corporation to make a significant contribution to the business.

Item 10. Executive Compensation

Except for Messrs. Edmundo P. Bunyi, Jr., all of the Company's directors and officers have not received any form of compensation from inception up to present other than a per diem of ₱6,000.00 (net of withholding tax) for each meeting attended and annual per diem during stockholders' meeting. There is no employment contract between the Company and the above-named executive officer or current executive officers. In addition, except as provided below, there are no compensatory plans or arrangements with respect named executive officers that resulted in or will result from the resignation, retirement or termination of such executive director or from a change-in-control in the Company.

The Company has no price or stock warrants.

Summary Compensation Table (Annual Compensation)

Name and Principal Position	Year	Annual Compensation
Valentino C. Sy Chairman & CEO		
Edmundo P. Bunyi, Jr. President & COO		
Joseph L. Ong Treasurer		
All officers and directors as a group	2013 (Estimate)	5,572,099.96
	2012	5,347,232.45
	2011	5,495,278.68

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2013, Vantage Equities, Inc. knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with the Company	Record (r) Beneficial (b) Owner	Citizenship	Number of Shares	Percent of Class
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,098,637,457	99.91%

(*)PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of the shares under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their respective clients. No single PCD participant currently owns more than 5% of the Corporation's shares forming part of the PCDNC account except as follows:

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with Company	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	**Wealth Securities, Inc.** 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,827,929,008 r	Filipino	87.10%

*The shares shall be voted by the person these shareholders shall duly authorize for the purpose. No single beneficial owner of these shares own more than 5% of the shares of the Company except as follows:

Class	Name and Address of Record Owner and Relationship with Issuer	Relationship with Company	Citizenship	Number of Shares	% Held
Common	**Creative Wisdom, Inc.** 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	884,350,718	42.14%

2. Security Ownership of Management

The following table shows the share beneficially owned by the directors and executive officers of the Company as of 31 March 2013:

Title of Class	Name of Record/Beneficial Owner	Amount & Nature of Record/Beneficial Ownership		Citizenship	Percent of Class
Common	Ignacio B. Gimenez	12,500	(direct)	Filipino	0.0006%
Common	Valentino L. Sy	62,957,812	(direct & indirect)	Filipino	2.9972%
Common	Edmundo P. Bunyi, Jr.	6,262,500	(direct & indirect)	Filipino	0.2981%
Common	Joseph L. Ong	12,500	(direct)	Filipino	0.0006%
Common	Willy N. Ocier	5,998,000	(direct & indirect)	Filipino	0.2855%
Common	Roberto Z. Lorayes	25,000	(direct)	Filipino	0.0012%
Common	Wilson L. Sy	184,150,000	(direct & indirect)	Filipino	8.7668%
Common	Antonio R. Samson	62,500	(direct)	Filipino	0.0030%
Common	Gregorio U. Kilayko	10,000	(direct)	Filipino	0.0005%
Common	A. Bayani K. Tan	1,437	(direct)	Filipino	0.0001%
All Directors and Officers as a group		259,492,249			12.3536%

Voting Trust Holders of 5% or More

There is no party which holds any voting trust or any similar agreement for 5% or more of Vantage's voting securities.

Changes in Control

The Company is not aware of any arrangement that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company has not been a party during the last two (2) years to any other transaction or proposed transaction, in which any director or executive officer of the Company, or any security holder owning 10% or more of the securities of the Company or any member of the immediate family of such persons, had a direct or indirect material interest.

Vantage Equities, Inc. is not under the control of any parent company.

The following are the transactions presented in the Notes to Audited Financial as Related Party Transactions:

12.1 YEHEY has a consultancy agreement with a board member of the Company amounting to P1.8M accrued in 2012 and subsequently paid in March 2013.

12.2 In 2012, PEMI participated in the Parent Company's investment in credit-linked note by purchasing P101.77M at face value. The Company serves as the receiving agent of all coupon interest for the entire duration of the participation.

12.3 The Company waived the collection of rental for the lease of office of Yehey! of the years 2011 and 2012.

12.4 In 2012, 2011 and 2010, the Parent Company paid certain expenses of e-Business, Yehey!, PEMI and iCurrencies, which were later billed for reimbursement.

12.5 Compensation of key management personnel of the Group:

	2012	2011	2010
Salaries & wages	12,402,468.00	15,555,985.00	16,445,855.00
Retirement benefits	478,475.00	848,770.00	220,140.00
TOTAL	**12,880,943.00**	**16,404,755.00**	**16,665,995.00**

PART IV – CORPORATE GOVERNANCE

The Company has been monitoring compliance with SEC Memorandum Circular No. 6, Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a. Exhibits – See accompanying index to exhibits.

The following exhibit is filed as a separate section of this report:
Subsidiaries of the Company

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

b. Reports on SEC Form 17 – C

SEC Form 17-C filed 06 August 2012
Letter to PSEI dated 04 August 2012 Re: Minutes of the Annual Stockholders' Meeting (List of elected Directors & Officers of the Corporation and List of elected members of various Board Committees

SIGNATURES

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

VANTAGE EQUITIES, INC.

By:

VALENTINO C. SY
Chairman & CEO

EDMUNDO MARCO P. BUNYI, JR.
President & COO

MARIBEL E. BERE
Comptroller

SUBSCRIBED AND SWORN to before me this APR 2 5 2013 at ~~Pasig City~~ QUEZON CITY, affiants exhibiting to me their Community Tax Certificates

Name	CTC No.	Date of Issue	Place of Issue
Valentino C. SY	16283539	February 21, 2013	Pasig City
Edmundo Marco P. Bunyi, Jr.	5111250	January 18, 2013	Mandaluyong City
Maribel E. Bere	01377206	April 1, 2013	Manila

ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until Dec. 31, 2013
ADM. MATTER# MP-061 2013-2014
PTR# 7612151 - 01/07/13 Q.C.

Doc No. 125
Page No. 25
Book No. 116
Series of 2013.

VANTAGE EQUITIES, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17 – A, Item 7

These schedules, which are required by Part IV (a) of RSA Rule 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.

INDEX TO EXHIBITS

Form 17-A

- These exhibits are either or not applicable to the Company or require no answer.

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

SGV & Co
ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vantage Equities Inc.
2703 East Tower, PSE Centre
Exchange Road, Ortigas Center
Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vantage Equities, Inc. and Subsidiaries (the Group) as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A and have issued our report thereon dated April 12, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669656, January 2, 2013, Makati City

April 12, 2013

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2012

Schedules Required under Securities Regulation Code Rule 68

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2012

Vantage Equities, Inc.
2703 East Tower, PSE Centre
Exchange Road, Ortigas Center
Pasig City

Unappropriated retained earnings, beginning		₱2,501,784,741
Add: Net income actually earned during the year		
Net income during the period closed to retained earnings	₱497,547,617	
Less: Non-actual gains		
Fair value adjustments (mark-to-market gains)	(3,714,948)	493,832,669
Retained earnings available for dividend distribution, ending		**₱2,995,617,410**

SCHEDULE II
LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
EFFECTIVE AS OF DECEMBER 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X		
PFRSs Practice Statement Management Commentary		X		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			X
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			X
	Amendments to PFRS 1: Government Loans			X
PFRS 2	Share-based Payment			X
	Amendments to PFRS 2: Vesting Conditions and Cancellations			X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			X
PFRS 3 (Revised)	Business Combinations	X		
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
PFRS 6	Exploration for and Evaluation of Mineral Resources			X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities*		X	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	X		
PFRS 8	Operating Segments	X		
PFRS 9*	Financial Instruments		X	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X	
PFRS 10*	Consolidated Financial Statements		X	
PFRS 11*	Joint Arrangements		X	
PFRS 12*	Disclosure of Interests in Other Entities		X	
PFRS 13*	Fair Value Measurement		X	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
PAS 2	Inventories			X
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts			X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19	Employee Benefits	X		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)*	Employee Benefits		X	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
PAS 23 (Revised)	Borrowing Costs			X
PAS 24 (Revised)	Related Party Disclosures	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27	Consolidated and Separate Financial Statements	X		
PAS 27 (Amended)*	Separate Financial Statements		X	
PAS 28	Investments in Associates	X		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures		X	
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 31	Interests in Joint Ventures	X		
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendment to PAS 32: Classification of Rights Issues			X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
PAS 36	Impairment of Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			X
	Amendments to PAS 39: The Fair Value Option	X		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X

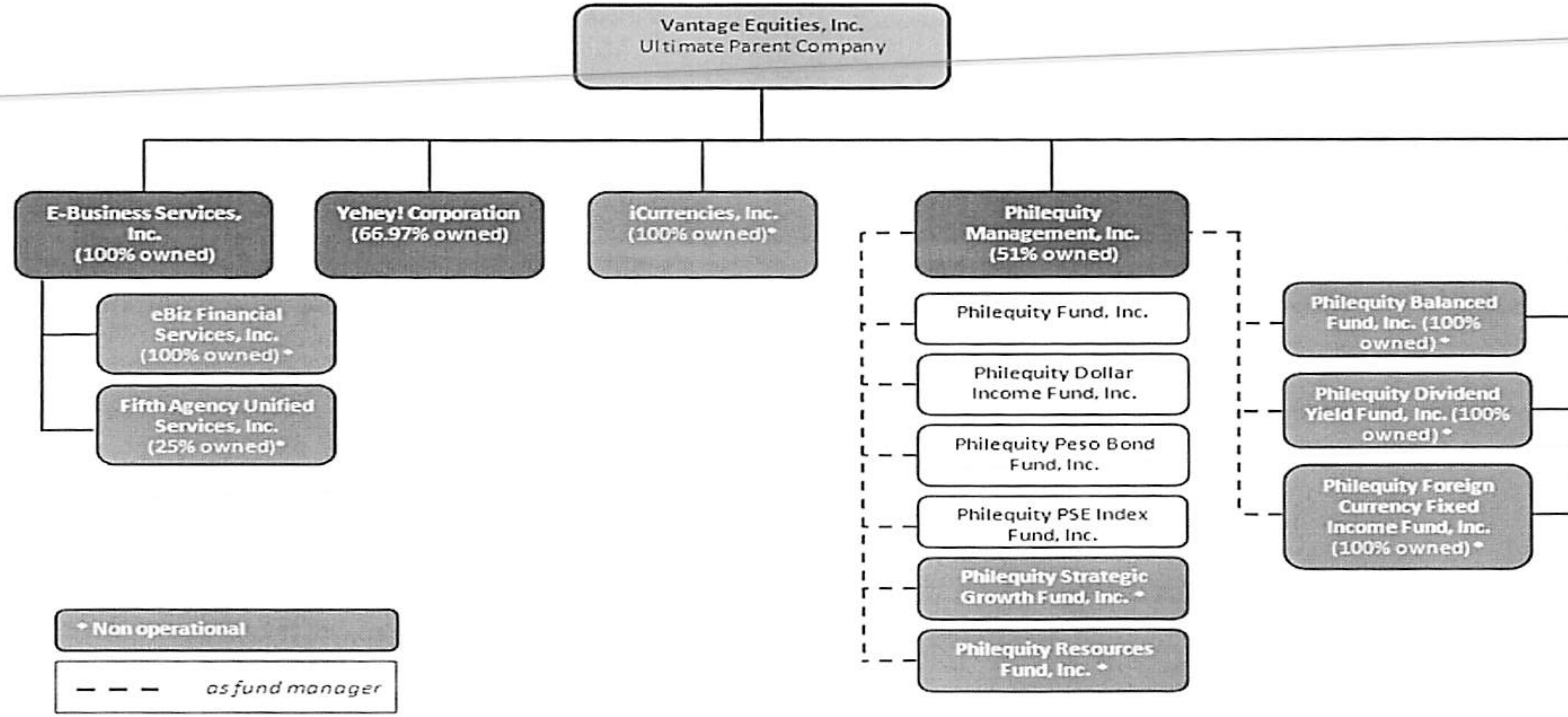
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		
	Amendment to PAS 39: Eligible Hedged Items	X		
PAS 40	Investment Property			X
PAS 41	Agriculture			X
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
IFRIC 8	Scope of PFRS 2			X
IFRIC 9	Reassessment of Embedded Derivatives	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		
IFRIC 10	Interim Financial Reporting and Impairment	X		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			X
IFRIC 12	Service Concession Arrangements			X
IFRIC 13	Customer Loyalty Programmes			X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	X		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			X
IFRIC 17	Distributions of Non-cash Assets to Owners			X
IFRIC 18	Transfers of Assets from Customers			X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			X
SIC-12	Consolidation - Special Purpose Entities			X
	Amendment to SIC - 12: Scope of SIC 12			X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			X
SIC-15	Operating Leases - Incentives			X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures.			X
SIC-31	Revenue - Barter Transactions Involving Advertising Services			X
SIC-32	Intangible Assets - Web Site Costs			X

* *These standards will be effective for periods subsequent to 2012 and are not early adopted by the Group*

SCHEDULE III

MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG PARENT AND SUBSIDIARIES



Vantage Equities, Inc. and Subsidiaries

Schedule A – Financial Assets

December 31, 2012

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income accrued
Loans and receivables:				
Unquoted debt securities	₱480,565,787.00	₱480,565,787.00	Not applicable	₱14,499,537.00
AFS Investments:				
Quoted:				
Government bonds	₱1,184,038,000.00	₱1,355,540,891.00	₱1,355,540,891.00	₱39,914,529.00
Corporate bonds	72,248,000.00	77,819,199.00	77,819,199.00	4,020,863.00
Equity securities	119,786,606 shares	1,666,255,287.00	1,666,255,287.00	37,039,014.00
Unquoted:				
Corporate bonds	₱156,000,000.00	₱172,424,074.00	₱ 172,424,074.00	₱9,812,508.00
Mutual fund	55,282,490 shares	1,583,970,477.00	1,583,970,477.00	None to Report
Golf shares		570,000.00	570,000.00	None to Report
Financial Assets at FVPL:				
Government bonds	₱330,000,000.00	₱385,781,364.00	₱385,781,364.00	₱2,307,000.00
Corporate bond	61,575,000.00	61,575,000.00	61,575,000.00	5,049,750.00
Nondeliverable forward	US$ 3,750,000	2,801,400.00	2,801,400.00	None to Report

Vantage Equities, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2012

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of period

None to Report.

Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

Vantage Equities, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2012

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected (i)	Amounts Written-off (ii)	Current	Non-Current	Balance at end of period
E-Business Services, Inc.	₱256,910	₱–	(₱406)	₱–	256,505	₱–	256,505
Ebiz Financial Services, Inc.	41,551	–	(23,195)	–	18,356	–	18,356
Icurrencies	59,281	61,723	–	–	121,004	–	121,004
Yehey! Corporation	6,082,081	–	(6,058,628)	–	23,453	–	23,453
Philequity Management, Inc.	117,339	–	(54,084)	–	63,055	–	63,055

(i) If collected was other than in cash, explain.
(ii) Give reasons to write-off.

Vantage Equities, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2012

Description [i]	Beginning Balance	Additions at Cost [ii]	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) [iii]	Ending Balance
Goodwill	₱3,654,985.00	₱-	₱-	₱ -	₱-	₱3,654,985.00
Software and website costs	3,261,053.00	-	40,444	-	-	3,220,609.00

[i] The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.

[ii] For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

[iii] If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

Vantage Equities, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2012

Title of issue and type of obligation [i]	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt' in related balance sheet [ii]	Amount shown under caption "Long-Term Debt" in related balance sheet [iii]	Interest Rate %	Maturity Date

None to report

[i] Include in this column each type of obligation authorized.
[ii] This column is to be totalled to correspond to the related balance sheet caption.
[iii] Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

Vantage Equities, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties
(included in the consolidated financial statement of position)
December 31, 2012

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

None to Report

(i) The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.

(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Vantage Equities, Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2012

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of guarantee (ii)

None to Report

(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

Vantage Equities, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2012

(Absolute numbers of shares)

Title of Issue [i]	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties [ii]	Directors, officers and employees	Others [iii]
Common	2,250,000,000	2,100,535,133	None to Report	None to Report	253,996,749	None to Report

---

[i] Include in this column each type of issue authorized

[ii] Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

[iii] Indicate in a note any significant changes since the date of the last balance sheet filed.

AS0920-07059

SEC Registration Number

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

(Fund's Full Name)

2703A East Tower, PSE Centre, Exchange Road, OrtigAs, Center, Pasig City

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

MR. EDMUNDO MARCO P. BUNYI JR.

(Contact Person)

689-8090

(Fund Telephone Number)

12 31

Month *Day*

(Calendar Year)

AACFS

(Form Type)

12 31

Month *Day*

(Annual Meeting)

INVESTMENT HOLDING

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

662

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

VANTAGE
EQUITIES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Vantage Equities, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with the accounting principles generally accepted in the Philippines as prescribed in Note 2 to the financial statements. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

VALENTINO C. SY	**EDMUNDO P. BUNYI, JR.**	**JOSEPH L. ONG**
Chairman	President	Treasurer
CTC No.: 16283539	CTC No.: 5111250	CTC No.: 21824976
February 21, 2013/Pasig City	January 18, 2013/Mandaluyong City	January 02, 2013/San Juan City
TIN: 122-335-536	TIN: 107-184-956	TIN: 108-789-427

SUBSCRIBED AND SWORN to me before this APR 15 2013 QUEZON CITY at Pasig City, affiants exhibiting to me their Community Tax Certificates.

ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until Dec. 31, 2013
ADM. MATTER# MP-061 2013-2014
PTR# 7612151 - 01/07/13 Q.C.
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SGV&Co
Ernst & Young

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vantage Equities Inc.
2703 East Tower, PSE Centre
Exchange Road, Ortigas Center
Pasig City

We have audited the accompanying consolidated financial statements of Vantage Equities, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

SGV&Co
ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vantage Equities, Inc. and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669656, January 2, 2013, Makati City

April 12, 2013

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱1,369,141,777**	₱540,411,971
Loans and receivable – current portion (Note 8)	**912,499,486**	527,417,507
Financial assets at fair value through profit or loss (Note 9)	**450,158,034**	86,739,792
Prepaid expenses and other current assets (Note 11)	**8,716,170**	13,899,226
Total Current Assets	**2,740,515,467**	1,168,468,496
Noncurrent Assets		
Loans and receivable - noncurrent portion (Note 8)	**150,000,000**	296,979,500
Available-for-sale investments (Note 10)	**4,856,579,928**	4,299,216,023
Investments in an associate and a joint venture (Note 12)	**119,228**	4,957,780
Property and equipment (Note 13)	**45,910,550**	44,331,659
Goodwill	**3,654,985**	3,654,985
Deferred tax assets (Note 24)	**3,819,683**	2,040,989
Other noncurrent assets (Note 14)	**24,538,270**	22,290,539
Total Noncurrent Assets	**5,084,622,644**	4,673,471,475
	₱7,825,138,111	₱5,841,939,971
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱298,281,535**	₱288,465,032
Income tax payable	**12,039,746**	12,073,051
Notes payable (Note 16)	**874,775,500**	–
Total Current Liabilities	**1,185,096,781**	300,538,083
Noncurrent Liabilities		
Retirement payable (Note 22)	**7,371,013**	7,030,626
Deferred tax liabilities (Note 24)	**415,620**	1,003,292
Total Noncurrent Liabilities	**7,786,633**	8,033,918
Total Liabilities	**1,192,883,414**	308,572,001

(Forward)

	December 31	
	2012	2011
Equity		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 23)	**₱2,235,390,633**	₱2,235,390,633
Cumulative net unrealized gain on change in fair value of available-for-sale investments (Note 10)	**1,083,273,387**	558,384,899
Retained earnings	**3,347,493,258**	2,798,177,641
Treasury stock (Note 23)	**(188,520,838)**	(188,520,838)
	6,477,636,440	5,403,432,335
Non-controlling interests	**154,618,257**	129,935,635
Total Equity	**6,632,254,697**	5,533,367,970
	₱7,825,138,111	₱5,841,939,971

See accompanying Notes to Consolidated Financial Statements.

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUES (Note 17)	₱1,058,951,254	₱1,048,993,667	₱1,228,775,842
COST OF SERVICES AND SALES (Note 18)	25,260,812	23,230,959	42,449,147
GROSS INCOME	1,033,690,442	1,025,762,708	1,186,326,695
GENERAL AND ADMINISTRATIVE EXPENSE (Note 19)	(457,160,080)	(488,549,521)	(466,378,537)
INTEREST EXPENSE AND BANK CHARGES (Note 16)	(10,688,211)	(2,569,793)	(1,733,020)
GAIN ON SALE OF INVESTMENT IN A JOINT VENTURE (Note 12)	2,718,197	–	–
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND A JOINT VENTURE (Note 12)	(56,749)	1,149,083	(3,104,763)
OTHER INCOME (Note 20)	43,414,396	25,344,520	46,200,190
INCOME BEFORE INCOME TAX	611,917,995	561,136,997	761,310,565
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	38,757,860	33,396,329	46,885,488
Final	4,846,181	2,189,811	1,071,976
Deferred	(1,778,694)	(4,272,914)	(3,269,159)
	41,825,347	31,313,226	44,688,305
NET INCOME	₱570,092,648	₱529,823,771	₱716,622,260
Attributable to:			
Equity holders of the Parent Company	₱549,315,617	₱514,705,557	₱713,647,678
Non-controlling interests	20,777,031	15,118,214	2,974,582
	₱570,092,648	₱529,823,771	₱716,622,260
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 26)	₱0.2615	₱0.2450	₱0.3344

See accompanying Notes to Consolidated Financial Statements.

VANTAGE EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
NET INCOME	**₱570,092,648**	₱529,823,771	₱716,622,260
OTHER COMPREHENSIVE INCOME			
Net changes in fair value of available-for-sale investments, net of tax (Note 10)	**524,888,488**	138,207,325	176,700,309
TOTAL COMPREHENSIVE INCOME	**₱1,094,981,136**	₱668,031,096	₱893,322,569
Attributable to:			
Equity holders of the Parent Company	**₱1,074,204,105**	₱652,912,882	₱890,347,987
Non-controlling interests	**20,777,031**	15,118,214	2,974,582
	₱1,094,981,136	₱668,031,096	₱893,322,569

See accompanying Notes to Consolidated Financial Statements

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

	Attributable to Equity Holders of the Parent Company						
	Capital Stock (Note 23)	Cumulative Net Unrealized Gain (Loss) on Change in Fair Value of Available-for-Sale Investments (Note 10)	Retained Earnings	Treasury Stock (Note 23)	Total	Non-controlling interests	Total Equity
Balance at December 31, 2011	₱2,235,390,633	₱558,384,899	₱2,798,177,641	(₱188,520,838)	₱5,403,432,335	₱129,935,635	₱5,533,367,970
Additional non-controlling interests in subsidiaries (Note 1)	–	–	–	–	–	3,905,591	3,905,591
Total comprehensive income	–	524,888,488	549,315,617	–	1,074,204,105	20,777,031	1,094,981,136
Balance at December 31, 2012	₱2,235,390,633	₱1,083,273,387	₱3,347,493,258	(₱188,520,838)	₱6,477,636,440	₱154,618,257	₱6,632,254,697
Balance at December 31, 2010	₱2,235,390,633	₱420,177,574	₱2,283,472,084	(₱188,520,838)	₱4,750,519,453	₱114,817,421	₱4,865,336,874
Total comprehensive income	–	138,207,325	514,705,557	–	652,912,882	15,118,214	668,031,096
Balance at December 31, 2011	₱2,235,390,633	₱558,384,899	₱2,798,177,641	(₱188,520,838)	₱5,403,432,335	₱129,935,635	₱5,533,367,970
Balance at December 31, 2009	₱2,235,390,633	₱243,477,265	₱1,569,824,406	(₱35,148,836)	₱4,013,543,468	₱111,842,839	₱4,125,386,307
Total comprehensive income	–	176,700,309	713,647,678	–	890,347,987	2,974,582	893,322,569
Acquisition of treasury stock	–	–	–	(153,372,002)	(153,372,002)	–	(153,372,002)
Balance at December 31, 2010	₱2,235,390,633	₱420,177,574	₱2,283,472,084	(₱188,520,838)	4,750,519,453	₱114,817,421	₱4,865,336,874

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

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱611,917,995	₱561,136,997	₱761,310,565
Adjustments for:			
Trading gains (Note 17)	(333,663,314)	(329,626,095)	(506,639,797)
Interest income (Note 17)	(131,960,951)	(125,477,127)	(114,324,691)
Dividend income (Note 17)	(37,039,014)	(35,610,251)	(45,775,827)
Depreciation and amortization (Notes 13 and 14)	17,280,522	22,852,071	32,526,632
Provision for credit and impairment losses (Note 19)	3,722,092	13,836,393	16,519,143
Unrealized foreign exchange loss	10,327,631	756,336	21,303,159
Recovery of allowance for credit losses (Note 8)	(10,215,789)	(2,172,113)	–
Interest expense and bank charges	10,688,211	2,569,793	1,733,020
Gain on sale of property and equipment (Note 20)	(59,521)	(21,070)	(302,946)
Gain on sale of investment in a joint venture (Note 12)	(2,718,197)	–	–
Equity in net losses (earnings) of an associate and joint venture (Note 12)	56,749	(1,149,083)	3,104,763
Reversal of asset retirement obligation (Note 20)	–	(4,145,582)	–
Operating income before working capital changes	138,336,414	102,950,269	169,454,021
Decrease (increase) in:			
Loans and receivables	(76,708,080)	(109,440,407)	44,415,366
Financial assets at fair value through profit or loss	(359,635,362)	25,553,598	165,325,048
Prepaid expenses and other current assets	(4,105,104)	11,909,064	2,782,203
Increase (decrease) in:			
Accounts payable and other current liabilities	9,816,503	72,656,716	1,497,557
Retirement payable	340,387	220,820	(852,728)
Net cash generated from operations	(291,955,242)	103,850,060	382,621,467
Interest received	127,092,264	110,577,878	121,203,650
Income tax paid	(34,349,186)	(65,345,603)	(31,140,945)
Net cash provided by operating activities	(199,212,164)	149,082,335	472,684,172

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Available-for-sale investments	5,965,255,706	₱5,983,126,972	₱3,026,884,130
Investment in joint venture (Note 12)	7,500,000	–	–
Property and equipment	329,155	401,200	2,959,890
Acquisitions of:			
Available-for-sale investments	(5,676,447,430)	(6,085,290,870)	(3,090,432,577)
Unquoted debt securities	(150,000,000)	(296,979,500)	–
Property and equipment (Note 13)	(19,088,603)	(15,865,651)	(14,148,103)
Investment in a joint venture	–	–	2,000,000
Dividends received	37,039,014	35,610,251	45,775,827
Increase in other noncurrent assets	(2,288,174)	(2,535,556)	(1,101,708)
Net cash provided by (used in) investing activities	162,299,668	(381,533,154)	(28,062,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	874,775,500	–	–
Interest and bank charges	(10,688,211)	(2,569,793)	(1,893,608)
Long-term debt	–	(2,925,490)	(3,138,510)
Additional non-controlling interest in a subsidiary (Note 1)	3,905,591	–	–
Acquisition of treasury shares (Note 23)	–	–	(153,372,002)
Net cash provided by (used in) financing activities	867,992,880	(5,495,283)	(158,404,120)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,350,578)	(18,751)	6,534,949
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	828,729,806	(237,964,853)	292,752,460
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	540,411,971	778,376,824	485,624,364
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱1,369,141,777	₱540,411,971	₱778,376,824

See accompanying Notes to Consolidated Financial Statements.

1. General Information

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

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 2012	2011
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
Philequity Balanced Fund, Inc. (PBF)	Philippines	**100.00**	100.00
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFIF)	Philippines	**100.00**	100.00
Philequity Dividend Yield Fund, Inc. (PDYF)	Philippines	**100.00**	–
Yehey! Corporation (Yehey!)	Philippines	**66.97**	68.35
Philequity Management, Inc. (PEMI)	Philippines	**51.00**	51.00

** Indirectly owned through e-Business*

The Parent Company is the ultimate parent of the Group.

In 2012, the Parent Company sold 3.89 million shares of Yehey! in the amount of ₱3.91 million. As a result of the sale, the Parent Company's percentage of ownership in Yehey! decreased from 68.35% to 66.97% and non-controlling interest increased by ₱3.91 million.

e-Business
e-Business is incorporated in the Philippines and is engaged in the 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 receives remuneration for the services provided to Western Union in accordance with the terms stipulated in the Agreement.

eBiz Financial

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

iCurrencies

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

In May 2001, 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.

PBF

PBF was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on May 6, 2008 under the Philippine Investment Company Act (ICA) (Republic Act 2629) as an open-end mutual fund company. PBF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of December 31, 2012, PBF has not yet launched its capital shares to the public.

PFCFIF

PFCFIF incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on April 10, 2008 under the Philippine ICA as an open-end mutual fund company. PFCFIF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of December 31, 2012, PFCFIF has not yet launched its capital shares to the public.

PDYF

PDYF was incorporated in the Philippines, and was registered with Securities and Exchange Commission (SEC) on August 2, 2012 under Philippine ICA as an open-end investment company. PDYF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of diversified portfolio of equity securities. As of December 31, 2012, PDYF has not yet launched its capital shares to the public.

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 the internet and sell and market said products in the form of advertising of finished products in the domestic or export market.

PEMI
PEMI was incorporated in the Philippines on March 15, 1994 and is primarily engaged in management of mutual funds.

Approval and Authorization for Issuance of Consolidated Financial Statements
The accompanying consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on April 12, 2013.

2. Summary of Significant Accounting Policies

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

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company and each of the subsidiaries is Philippine peso.

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

Basis of Consolidation
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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

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

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

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

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

Changes in ownership interest in a subsidiary that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration paid and the amount by which the non-controlling interest are adjusted is recognized as an equity transaction and attributed to the owners of the Parent Company.

Non-Controlling Interest

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

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year, except for the following amended standards which were adopted as of January 1, 2012. The following amended standards did not have any impact on the accounting policies, financial position or performance of the Group:

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

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

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

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, Investment Property, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

Significant Accounting Policies

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine Dealing System (PDS) closing rate prevailing at the consolidated statement of financial position date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Receivables, accounts payable and other noncurrent liabilities, and long term debt are recognized when cash is received by the Group or advanced to the borrowers.

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

As of December 31, 2012 and 2011, the Group does not have HTM investments.

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques that include the use of mathematical models. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

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

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

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

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

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

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

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in 'Trading gains' in the consolidated statement of income. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' in the consolidated statement of income, respectively, while dividend income is recorded in 'Dividend income' in the consolidated statement of income when the right to receive payment has been established.

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

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

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

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

The Group bifurcated embedded derivatives as of December 31, 2012 and 2011 pertaining to Unquoted debt securities under 'Loans and receivables'. The value of the bifurcated embedded derivatives is not significant.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as 'AFS investments' or 'Financial assets designated at FVPL'.

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

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

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

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

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the consolidated statement of financial position.

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

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

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

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

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

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

Investments in associate and joint venture

Investment in associate

Associates are entities which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

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

Investment in joint venture

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

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

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

Office condominium	20 years
Furniture and fixtures	2-10 years
Office improvements	10 years
Transportation equipment	5 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 charged to consolidated statement of income.

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

Software and Website

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

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

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash- generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such 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 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 investment in PEMI, to which the goodwill relates. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the investment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects management's estimate of the risks specific to the investment.

Where the recoverable amount of the investment is less than the carrying amount of the investment, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

Revenue Recognition

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

Trading gains

This represents results arising from trading activities including all gains and losses from changes in fair value of financial assets at FVPL, derivatives, and gains and losses from disposal of AFS investments. Revenue is recognized on trade date upon confirmation of sale of investments from counterparties.

Commission income

This represents the commission received by the Group from Western Union. The Group receives commission from Western Union for every money transfer service provided by the former for the latter. Revenue is recognized when the money transfer service has been rendered which is when Western Union acknowledges the transaction.

Interest income

Interest on financial instruments is recognized based on the effective interest method of accounting.

Share in foreign exchange differential

Western Union establishes the rates by which the currency in which money transfer service transaction is originated (originating currency) is converted into the currency in which the transaction is paid (payment currency). Share from foreign exchange differential is recognized when money transfer service is rendered and originating currency is converted to the payment currency.

Service income
Service income comprises management fee and sales commission. Management fee is recognized as mutual fund management services are rendered and in accordance with the management and distribution agreement. Sales commission is recognized upon subscription and sale of the mutual funds' common shares.

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

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

Advertising, Web development and Internet service
Revenue from advertising and web development is recognized based on Percentage of Completion Method. The stage of completion is assessed by reference to surveys of the work performed. Revenue from internet service is recognized at the time services are rendered.

Income from business partners
This represents fees received by the Group from partner companies for other retail services in the branches including over-the-counter payment collection and airline ticketing services. Income from business partners are recognized at the time the services are rendered.

Expense Recognition
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of services and sales
Cost of services and sales, which include personnel costs and other expenses incidental to the Group's primary services, are expensed as incurred.

General and administrative expenses
General and administrative expenses, which include the cost of administering the business and are not directly associated with the generation of revenue, are expensed as incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A 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 plans covering substantially all of their 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 10.00% of the higher of the defined benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

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

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

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences and carryforward benefit of unused net operating loss carry over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused NOLCO and excess of MCIT over RCIT, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Equity

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

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

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

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

Basic/Diluted Earnings Per Share
Basic earnings per share (EPS) 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.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of December 31, 2012 and 2011, the Parent Company does not have dilutive potential common shares.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

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

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

Segment reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Group's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Future Changes in Accounting Policies

Standards issued but not yet effective up to date of the consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. Except when otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

New and amended standards

Effective in 2013

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

  The amendment affects disclosures only and has no impact on the Group's financial position and performance.

- PFRS 10, *Consolidated Financial Statements*

  This standard becomes effective for annual periods beginning on or after January 1, 2013. It replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) - 12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. The changes introduced by the standard will require management to exercise significant judgment to determine which entities are controlled, and therefore required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of this new standard will not impact the financial position or performance of the Group.

- PFRS 11, *Joint Arrangements*
This standard becomes effective for annual periods beginning on or after January 1, 2013. It replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position or performance of the Group.

- PFRS 12, *Disclosure of Involvement with Other Entities*
This standard becomes effective for annual periods beginning on or after January 1, 2013. It includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
This standard becomes effective for annual periods beginning on or after January 1, 2013. It establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments to the standard change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and there is no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
The amendment becomes effective for annual periods beginning on or after January 1, 2013. Amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:		
Consolidated statements of financial position		
Retirement payable	(₱9,594,787)	(₱9,513,481)
Deferred tax asset	794,778	483,992
Other comprehensive income	1,218,702	(19,642)
Retained earnings	9,170,863	10,017,115

	2012
Consolidated statement of comprehensive income	
Retirement expense	₱1,157,038
Provision for deferred tax	310,788
Net income	846,252
Other comprehensive income	1,238,344

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains in the standard is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the Group.

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

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  The Interpretation is effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

Effective in 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*
  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting

criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

Effective in 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*
  The standard is effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 may have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC-15, *Agreement for the Construction of Real Estate*
  This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Securities and Exchange Commission and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The application of this interpretation will not impact the financial position or performance of the Group.

<u>Annual Improvements to PFRSs (2009-2011 cycle)</u>

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

PFRS 1, First-time Adoption of PFRS – Borrowing Costs

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, Presentation of Financial Statements - Clarification of the requirements for comparative information
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16, Property, Plant and Equipment - Classification of servicing equipment
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

a) *Determination of functional currency*
Each entity in the Group has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which each entity operates and the currency that mainly influences the income and expenses.

b) *Operating lease commitments - group as a lessee*
The Group has entered into lease contracts 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 leases as operating leases.

c) *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recognized or disclosed in the financial statements cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and identification of comparable investments and applicable credit spreads to arrive at adjusted quoted market prices.

   The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in more detail in Note 5.

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

e) *Determination of whether the Group is acting as a principal or an agent*
The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:
   - whether the Group has primary responsibility for providing the goods and services;
   - whether the Group has inventory risk;
   - whether the Group has discretion in establishing prices; and
   - whether the Group bears the credit risk.

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

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

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

Estimates

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

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

As of December 31, 2012 and 2011, the fair values of financial assets and financial liabilities are disclosed in Note 5.

b) *Allowance for credit losses*
The Group maintains an allowance for credit 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 and collective approaches. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

As of December 31, 2012 and 2011, the carrying value of receivables and the related allowance for credit losses are disclosed in Note 8.

c) *Impairment of AFS investments*
The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease of more than 20.00% of the original cost of investment, and 'prolonged' as greater than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

The Group treats AFS debt investments as impaired when an objective evidence of impairment exists. 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 it 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.

In 2012 and 2011, the Group recognized impairment losses on unquoted AFS equity investments (see Note 10). No impairment loss was recognized in 2010. As of December 31, 2012 and 2011, the carrying values of AFS investments are disclosed in Note 10.

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

There is no change in the estimated useful lives of property and equipment, software and website during the year. As of December 31, 2012 and 2011, the carrying values of property and equipment are disclosed in Note 13. As of December 31, 2012 and 2011, the carrying value of software and website costs.is disclosed in Note 14.

e) *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.

As of the reporting dates, the Group's property and equipment and software do not have any indication of impairment.

Fifth Agency Unified Services, Inc. (FAUSI), an associate, stopped its normal operations in 2008. FAUSI suffered consecutive years of losses which the management believes may lead to non-recovery of the Group's investment. As of December 31, 2012 and 2011, the Group's allowance for impairment on its investment in FAUSI is disclosed in Note 12. The carrying values of the investment in FAUSI as of December 31, 2012 and 2011 are also disclosed in Note 12.

f) *Retirement costs*
The determination of the Group's retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 22 and include, among others, discount rates, rates of future salary increase, expected rate of return on plan assets and average remaining working lives of employees. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the retirement obligation.

As of December 31, 2012 and 2011, retirement payable is disclosed in Note 22.

g) *Deferred tax assets*
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets to be recognized, based upon likely timing and level of future taxable income.

As of December 31, 2012 and 2011, deferred tax assets, net of deferred tax liabilities, are disclosed in Note 24. Deferred tax on temporary differences not recognized in the consolidated statements of financial position as of December 31, 2012 and 2011 are disclosed in Note 24.

h) *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 legal claims that require recognition in the consolidated financial statements (see Note 28).

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, financial assets at FVPL, accounts payable and other liabilities and notes payable. . The Group also has various other financial assets and liabilities such as trade receivables and deposits.

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

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

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

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

As of December 31, 2012 and 2011, the Company's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at FVPL and AFS investments represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value.

The table below shows an aging analysis of loans and receivables:

	2012							
	Neither Past Due nor Impaired	Past Due but not Impaired: 91–120 Days	121–150 Days	151–180 180 Days	Over 180 Days	Subtotal	Impaired	Total
Due from:								
Western Union	₱456,748,895	₱–	₱–	₱–	₱–	₱456,748,895	₱–	456,748,895
Broker	30,003,989	–	–	–	–	30,003,989	–	30,003,989
Sub-agents	15,174,922	–	–	–	–	15,174,922	–	15,174,922
Business partners	5,615,263	–	–	–	–	5,615,263	–	5,615,263
Unquoted debt securities	480,565,787	–	–	–	–	480,565,787	–	480,565,787
Receivable from advertising and web development services	11,108,576	1,172,232	35,964	3,547,499	–	15,864,271	26,664,748	42,529,019
Accrued interest receivable	38,875,411	–	–	–	–	38,875,411	50,667	38,926,078
Trade receivable	11,156,183	–	–	–	–	11,737,072	580,889	11,737,072
Advances to officers and employees	2,133,139	–	–	–	–	2,133,139	1,295,924	3,429,063
Others	6,639,172	–	–	–	–	6,058,283	14,565,356	21,204,528
	₱1,058,021,337	₱1,172,232	₱35,964	₱3,547,499	₱–	1,062,777,032	₱43,157,584	₱1,105,934,616

	2011							
	Neither Past Due nor Impaired	Past Due but not Impaired: 91–120 Days	121–150 Days	151–180 180 Days	Over 180 Days	Subtotal	Impaired	Total
Due from:								
Western Union	₱347,017,898	₱–	₱–	₱–	₱–	₱347,017,898	₱–	₱347,017,898
Broker	48,291,151	–	–	–	–	48,291,151	–	48,291,151
Sub-agents	15,285,589	–	–	–	–	15,285,589	–	15,285,589
Business partners	3,195,168	–	–	–	–	3,195,168	–	3,195,168
Unquoted debt securities	296,979,500	–	–	–	–	296,979,500	–	296,979,500
Receivable from advertising and web development services	4,156,810	–	–	–	–	4,156,810	29,511,309	33,668,119
Accrued interest receivable	34,006,724	–	–	–	–	34,006,724	50,667	34,057,391
Trade receivable	69,805,323	–	–	–	–	69,805,323	7,627,663	77,432,986
Advances to officers and employees	1,441,284	–	–	–	–	1,441,284	1,295,924	2,737,208
Others	4,217,560	–	–	–	–	4,217,560	11,475,280	15,692,840
	₱824,397,007	₱–	₱–	₱–	₱–	₱824,397,007	₱49,960,843	₱874,357,850

Past due or impaired receivables pertain to those receivables which are already outstanding beyond their normal credit terms, a portion of which were already provided with allowance. For those past due receivables without an allowance, the Group assessed them as still collectible granting that there will be continuous effort to follow-up such receivables from their customers.

The table below shows the credit quality of the Group's neither past due nor impaired financial assets based on historical experience with the corresponding third parties.

	2012			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱1,167,218,612	₱–	₱–	₱1,167,218,612
Loans and receivables:				
Due from:				
Western Union	456,748,895	–	–	456,748,895
Broker	30,003,989	–	–	30,003,989
Sub-agents	15,174,922	–	–	15,174,922
Business partners	–	5,615,263	–	5,615,263
Unquoted debt securities	480,565,787	–	–	480,565,787
Receivable from advertising and web development services	1,954,659	5,780,789	3,373,130	11,108,578
Accrued interest receivable	38,875,411	–	–	38,875,411
Trade receivable	11,156,183	–	–	11,737,072
Advances to officers and employees	2,133,139	–	–	2,133,139
Others	–	6,639,172	–	6,058,283
AFS investments:				
Quoted:				
Equity securities	1,666,255,287	–	–	1,666,255,287
Government bonds	1,355,540,891	–	–	1,355,540,891
Corporate bonds	77,819,199	–	–	77,819,199

	2012			
	Grade A	Grade B	Grade C	Total
Unquoted:				
Corporate bonds	172,424,074	–	–	172,424,074
Mutual funds	1,583,970,477	–	–	1,583,970,477
Golf shares	570,000	–	–	570,000
Financial assets at FVPL:				
Government bonds	385,781,634	–	–	385,781,634
Corporate bond	61,575,000	–	–	61,575,000
Nondeliverable forward	2,801,400	–	–	2,801,400
Deposits (included in "Other noncurrent assets")	20,729,593	–	–	20,729,593
	₱7,531,299,152	₱18,035,224	₱3,373,130	₱7,552,707,506

**Excluding cash on hand.*

	2011			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱359,137,670	₱–	₱–	₱359,137,670
Loans and receivables:				
Due from:				
Western Union	347,017,898	–	–	347,017,898
Broker	48,291,151	–	–	48,291,151
Sub-agents	15,285,589	–	–	15,285,589
Business partners	–	3,195,168	–	3,195,168
Unquoted debt securities	296,979,500	–	–	296,979,500
Receivable from advertising and web development services	–	4,156,810	–	4,156,810
Accrued interest receivable	34,006,724	–	–	34,006,724
Trade receivable	69,805,323	–	–	69,805,323
Advances to officers and employees	1,441,284	–	–	1,441,284
Others	–	4,217,560	–	4,217,560
AFS investments:				
Quoted:				
Equity securities	1,270,721,653	–	–	1,270,721,653
Government bonds	1,535,603,049	–	–	1,535,603,049
Corporate bonds	55,568,743	–	–	55,568,743
Unquoted:				
Corporate bonds	292,950,592	–	–	292,950,592
Mutual fund	1,143,801,986	–	–	1,143,801,986
Golf shares	570,000	–	–	570,000
Financial assets at FVPL:				
Corporate bond	86,627,840	–	–	86,627,840
Nondeliverable forward	111,952	–	–	111,952
Deposits (included in "Other noncurrent assets")	18,456,517	–	–	18,456,517
	₱5,576,377,471	₱11,569,538	₱–	₱5,587,947,009

**Excluding cash on hand.*

Grade A financial assets pertain to those investments with counterparties of good credit standing or receivables from clients or customers that consistently pay on or before the maturity date. Grades B and C include those receivables being collected on due dates with varying collection efforts required, ranging from minimum to moderate that may require close monitoring.

Cash and cash equivalents are classified as Grade A because it is deposited with reputable banks. AFS investments are classified as Grade A since these mostly pertain to investments in listed companies and government-issued bonds.

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.

The table below summarizes the maturity profile of the Group's financial instruments based on contractual undiscounted payments:

	2012					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Financial Assets						
Cash and cash equivalents	₱341,791,632	₱1,027,350,145	₱–	₱–	₱–	₱1,369,141,777
Loans and receivables						
Due from:						
Western Union	–	456,748,895	–	–	–	456,748,895
Broker	–	30,003,989	–	–	–	30,003,989
Sub-agents	–	574,922	–	14,600,000	–	15,174,922
Business partners	5,615,263	–	–	–	–	5,615,263
Unquoted debt securities	–	2,751,988	327,813,799	150,000,000	–	480,565,787
Future interest	–	2,650,000	3,209,444	–	–	5,859,444
Receivable from advertising and web development services	15,586,725	–	–	–	–	15,586,725
Accrued interest receivable	35,265	31,613,742	6,777,420	448,984	–	38,875,411
Trade receivable	11,156,183	–	–	–	–	11,156,183
Advances to officers and employees	2,133,139	–	–	–	–	2,133,139
Others	6,639,172	–	–	–	–	6,639,172
AFS Investments						
Quoted:						
Equity securities	1,649,290,287	–	–	–	16,875,000	1,666,165,287
Government bonds	–	–	–	47,894,267	1,307,646,624	1,355,540,891
Corporate bonds	–	–	–	68,344,202	9,474,997	77,819,199
Unquoted:						
Corporate bonds	–	–	–	95,198,204	77,225,870	172,424,074
Mutual funds	1,583,970,477	–	–	–	–	1,583,970,477
Golf Shares	570,000	–	–	–	–	570,000
Future interest	–	4,539,377	55,900,502	303,882,558	1,042,141,336	1,406,463,773
Financial assets at FVPL:						
Government bonds	–	–	–	–	385,781,634	385,781,634
Corporate bonds	–	61,575,000	–	–	–	61,575,000
Derivative assets	–	2,801,400	–	–	–	2,801,400
Future interest	–	1,315,550	10,710,000	11,305,333	–	23,330,883
Other non-current assets						
Deposits	–	–	–	20,729,593	–	20,729,593
	₱3,616,788,143	₱1,621,925,008	₱404,411,165	₱712,403,141	₱2,839,145,461	₱9,194,672,918
Financial Liabilities						
Accounts payable and other liabilities						
Due to sub-agents and brokers	–	196,929,646	–	–	–	196,929,646
Accrued expenses	–	16,596,212	34,938,349	–	–	51,534,561
Trade	24,695,822	–	–	–	–	24,695,822
Derivative liability	–	255,000	–	–	–	255,000
Notes payable	–	874,775,500	–	–	–	874,775,500
	₱24,695,822	₱1,088,556,358	₱34,938,349	₱–	₱–	₱1,148,190,529

	2011					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Financial Assets						
Cash and cash equivalents	₱252,712,417	₱287,699,554	₱–	₱–	₱–	₱540,411,971
Loans and receivables						
Due from:	–	347,017,898	–	–	–	347,017,898
Western Union						
Broker	–	48,291,151	–	–	–	48,291,151
Sub-agents	–	15,285,589	–	–	–	15,285,589
Business partners	3,195,168	–	–	–	–	3,195,168
Unquoted debt securities	–	–	–	296,979,500	–	296,979,500
Future interest	–	1,427,721	7,199,488	14,398,975	–	23,026,184
Trade	9,257,840	60,547,483	–	–	–	69,805,323
Receivable from advertising and web development services	4,156,810	–	–	–	–	4,156,810
Accrued interests	–	29,092,465	4,914,259	–	–	34,006,724
Advances to officers and employees	1,441,284	–	–	–	–	1,441,284
Others	4,217,560	–	–	–	–	4,217,560
AFS Investments						
Quoted:						
Government bonds	–	–	–	124,802,317	1,410,800,732	1,535,603,049
Corporate bonds	–	–	–	–	55,568,743	55,568,743
Equity securities	1,270,721,653	–	–	–	–	1,270,721,653
Unquoted:						
Corporate bonds	–	–	123,045,125	94,054,947	75,850,520	292,950,592
Mutual funds	1,143,801,986	–	–	–	–	1,143,801,986
Golf Shares	570,000	–	–	–	–	570,000
Future interest	–	3,437,979	62,282,688	349,024,150	834,697,599	1,249,442,416
Financial assets at FVPL:						
Corporate bonds	–	–	–	86,627,840	–	86,627,840
Derivative assets	–	111,952	–	–	–	111,952
Future interest	–	333,184	3,331,840	3,442,901	–	7,107,925
Other non-current assets						
Deposits	–	–	–	18,456,517	–	18,456,517
	₱2,690,074,718	₱793,244,976	₱200,773,400	₱987,787,147	₱2,376,917,594	₱7,048,797,835
Financial Liabilities						
Accounts payable and other liabilities						
Due to sub-agents and brokers	₱–	₱135,273,271	₱–	₱–	₱–	₱135,273,271
Accrued expenses	–	13,761,313	56,174,130	–	–	69,935,443
Trade	–	9,160,739	47,395,157	–	–	56,555,896
Derivative liability	–	777,820	–	–	–	777,820
	₱–	₱158,973,143	₱103,569,287	₱–	₱–	₱262,542,430

Market Risk

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

Interest Rate Risk

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

The sensitivity of equity is the effect of the assumed changes in interest rates by revaluing the fixed rate AFS investments while the sensitivity of income is the effect to changes in fair value of fixed rate financial assets at FVPL held as of reporting date.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's equity and income as of December 31, 2012 and 2011.

	2012		2011	
Change in Basis Points	Effect on Equity	Effect on Income	Effect on Equity	Effect on Income
Increase by 100	(₱134,711,338)	(₱34,641,332)	(₱119,286,481)	(₱867,225)
Decrease by100	154,491,539	₱39,539,782	132,830,826	880,397

Foreign Currency Risk
The Group has transactional currency exposures. The Group's financial instruments which are denominated in foreign currency include cash and cash equivalents, receivables, AFS investments, financial assets at FVPL, and long-term debt. The Group maintains several U.S. dollar accounts to manage its foreign currency denominated transactions.

The Group's financial assets and liabilities denominated in U.S. dollar are as follows:

	2012	2011
Cash and cash equivalents	US$1,917,363	US$1,778,205
Receivables	11,098,602	7,815,363
AFS investments	3,800,600	3,277,449
Financial assets at FVPL - Corporate bonds	1,621,743	1,976,000
Advances/deposits to sub-agents	1,422,428	4,300
	19,860,736	14,851,317
Due to sub-agents	1,422,428	979,380
Notes payable	21,310,000	–
	22,732,428	979,380
Net foreign currency-denominated assets	(2,871,692)	13,871,937
Currency forwards	3,750,000	(13,450,000)
Net exposure	US$878,308	US$421,937

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was ₱41.05 to US$1 and ₱43.84 to US$1 as of December 31, 2012 and 2011, respectively.

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

	2012		2011	
	Change in Foreign Exchange Rate	Effect on Net Income before Tax	Change in Foreign Exchange Rate	Effect on Net Income before Tax
Increase	+0.83%	₱299,253	+0.84%	₱155,381
Decrease	-0.83%	(299,253)	-0.84%	(155,381)

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

Equity Price Risk
Equity price risk is the risk that the fair value of quoted AFS investments will fluctuate as a result of changes in the value of individual stocks.

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

	2012		2011	
	% Variance on Equity Price	Effect on Equity	% Variance on Equity Price	Effect on Equity
Increase	+2.371%	₱73,635,851	+2.706%	₱60,588,021
Decrease	-2.371%	(73,635,851)	-2.706%	(60,588,021)

Capital Management

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

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

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

As of December 31, 2012 and 2011, the Group has no interest-bearing long-term debts. Thus, the debt-to-equity ratio is 0.00:1.00 as of December 31, 2012 and 2011.

5. Fair Value of Financial Instruments

The carrying values of financial assets and liabilities as of December 31, 2012 and 2011 under each category are shown below:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables:				
Cash and cash equivalents	₱1,369,141,777	₱1,369,141,777	₱540,411,971	₱540,411,971
Receivables	1,062,499,686	1,070,068,725	824,397,007	821,982,570
Deposits (included under 'Other noncurrent assets')	20,729,593	20,729,593	18,656,517	18,656,517
	2,452,371,056	2,459,940,095	1,383,465,495	1,381,051,058
Financial assets at FVPL:				
Government bonds	385,781,634	385,781,634	–	–
Corporate bonds	61,575,000	61,575,000	86,827,840	86,827,840
Derivative assets	2,801,400	2,801,400	111,952	111,952
	450,158,034	450,158,034	86,939,792	86,939,792

(Forward)

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
AFS investments:				
Quoted:				
Equity securities	₱1,666,255,287	₱1,666,255,287	₱1,270,721,653	₱1,270,721,653
Government bonds	1,355,540,891	1,355,540,891	1,535,603,049	1,535,603,049
Corporate bonds	77,819,199	77,819,199	55,568,743	55,568,743
Unquoted:				
Corporate bonds	172,424,074	172,424,074	292,950,592	292,950,592
Equity securities	–	–	–	–
Mutual fund	1,583,970,477	1,583,970,477	1,143,801,986	1,143,801,986
Golf shares	570,000	570,000	570,000	570,000
	4,856,579,928	4,856,579,928	4,299,216,023	4,299,216,023
	₱7,759,109,018	₱7,766,678,057	₱5,769,621,310	₱5,767,206,873
Other financial liabilities:				
Accounts payable and other current liabilities*	₱214,574,194	₱214,574,194	₱262,542,430	₱262,542,430
Notes payable	874,775,500	874,775,500	–	–
	₱1,089,349,694	₱1,089,349,694	₱262,542,430	₱262,542,430

* *Excluding other current liabilities representing statutory payables and other liabilities to various government agencies.*

Cash and Cash Equivalents, Receivables (excluding Unquoted debt securities), Accounts Payable and Other Current Liabilities and Notes Payable
The carrying amounts approximate fair values due to the short-term nature of these financial instruments.

AFS Investments and Financial Assets at FVPL
Fair values are generally based on quoted market prices. For the Group's equity and fixed income investments, fair values are determined based on quoted shares in the PSE and fixing rates of the Philippine Dealing Exchange, respectively. If market prices are not readily available or if the securities are not traded in an active market, 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.

Unquoted debt securities (included under Loans and receivables)
Fair values of unquoted debt securities are estimated using the discounted cash flow methodology using the interpolated risk-free rate plus credit spread.

Derivative instruments (included under FVPL)
Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the consolidate statement of financial position date, taking into account the remaining term to maturity of the derivative instruments.

Fair value hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments measured at fair value:

Level 1: quoted (unadjusted) prices in active markets for identified assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value hierarchy as of December 31, 2012 and 2011 follows:

	2012		
	Level 1	**Level 2**	**Total**
Financial Assets			
Financial assets at FVPL (Note 9)			
Government bonds	₱385,781,364	₱–	₱385,781,364
Corporate bonds	61,575,000	–	61,575,000
Derivative assets	–	2,801,400	2,801,400
Available-for-sale investments (Note 10)			
Quoted			
Equity securities	1,666,255,287	–	1,666,255,287
Government bonds	1,355,540,891	–	1,355,540,891
Corporate bonds	77,819,199	–	77,819,199
Unquoted			
Corporate bonds	–	172,424,074	172,424,074
Mutual funds	1,583,970,477	–	1,583,970,477
	₱5,130,942,218	₱175,225,474	₱5,306,167,692
Financial Liabilities at FVPL			
Derivative liabilities (Note 14)	₱–	₱255,000	₱255,000

	2011		
	Level 1	Level 2	Total
Financial Assets			
Financial assets at FVPL (Note 9)			
Corporate bonds	₱86,627,840	₱–	₱86,627,840
Derivative assets	–	111,952	111,952
Available-for-sale investments (Note 10)			
Quoted:			
Equity securities	1,270,721,653	–	1,270,721,653
Government bonds	1,535,603,049	–	1,535,603,049
Corporate bonds	55,568,743	–	55,568,743
Unquoted:			
Corporate bonds	–	292,950,592	292,950,592
Mutual fund (Note 15)	1,143,801,986	–	1,143,801,986
	₱4,092,323,271	₱293,062,544	₱4,385,385,815
Financial liabilities at FVPL			
Derivative liabilities (Note 15)	₱–	₱777,820	₱777,820

There were no transfers made among the three levels in the fair value hierarchy in 2012 and 2011.

6. 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.

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment income before tax. Segment income before tax is based on the same accounting policies as the consolidated net income except that intersegment revenues are eliminated only at the consolidation level. Transfer pricing between segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each Group's segment. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the segments, which provide essential input and advice in the decision-making process.

The Group mainly operates and generates revenue in the Philippines. Thus, geographical segment information is not presented.

The Group has no significant customers which contribute 10.00% or more of the consolidated revenues.

The following table presents earnings and other information of operating segments presented in accordance with PFRS:

	2012					
	Investment Holdings	**Remittance Services**	**Internet Services**	**Mutual Fund Management**	**Eliminations**	**Consolidated**
Earnings information						
Revenues	₱474,170,224	₱449,696,491	₱43,120,287	₱95,645,224	(₱1,146,734)	₱1,061,485,492
Cost of services and sales	–	–	17,950,308	7,310,504	–	25,260,812
Equity in net earnings of an associate and joint venture	–	–	(56,749)	–	–	(56,749)
Depreciation and amortization	3,201,767	13,144,811	674,908	259,036	–	17,280,522
Interest expense and bank charges	81,238	10,624,614	-	6,003	(23,644)	10,688,211
Segment income before tax	502,830,392	69,253,390	14,792,554	49,182,728	(24,141,069)	611,917,995
Provision for income tax	4,821,726	20,406,107	2,014,433	14,583,081	–	41,825,347
Net income attributable to equity holders of the Parent Company	498,008,665	47,068,590	8,733,846	17,866,891	(22,362,375)	549,315,617
Other information						
Segment assets	6,164,960,139	1,627,216,428	271,895,116	267,353,977	(506,287,549)	7,825,138,111
Segment liabilities	9,104,146	1,141,929,559	22,694,000	19,638,082	(482,373)	1,192,883,414
Costs to acquire property and equipment	3,339,437	13,823,283	1,813,288	112,595	–	19,088,603
Net cash flows provided by (used in):						
Operating activities	(265,632,205)	20,922,745	1,741,736	31,443,854	12,311,706	(199,212,164)
Investing activities	295,512,688	(13,638,216)	951,214	(111,248,369)	(9,277,649)	162,299,668
Financing activities	–	818,775,500	–	50,000,000	(782,620)	867,992,880

	2011					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
Earnings information						
Revenues	₱469,143,610	₱462,058,902	₱45,852,448	₱72,169,928	(₱231,221)	₱1,048,993,667
Cost of services and sales	–	–	18,277,752	4,953,207	–	23,230,959
Equity in net earnings of an associate and joint venture	–	–	1,149,083	–	–	1,149,083
Depreciation and amortization	4,199,264	16,798,411	1,501,038	353,358	–	22,852,071
Interest expense and bank charges	99,758	2,686,785	4,866	9,605	(231,221)	2,569,793
Segment income before tax	451,993,722	60,878,880	11,419,499	36,844,896	–	561,136,997
Provision for income tax	(4,401,140)	24,154,778	217,764	11,341,824	–	31,313,226
Net income attributable to equity holders of the Parent Company	456,394,862	36,724,102	7,656,386	13,930,207	–	514,705,557
Other information						
Segment assets	5,194,243,526	682,530,537	261,433,225	181,977,154	(478,244,471)	5,841,939,971
Segment liabilities	62,254,663	247,633,606	25,781,528	18,860,886	(45,958,682)	308,572,001
Costs to acquire property and equipment	6,250	15,016,795	817,686	24,920	–	15,865,651
Net cash flows provided by (used in):						
Operating activities	(231,467,706)	(43,355,610)	29,525,544	41,946,936	352,433,171	149,082,335
Investing activities	(145,842,212)	(9,399,636)	(18,478,538)	59,875,080	(267,687,848)	(381,533,154)
Financing activities	–	13,157,634	–	–	(18,652,917)	(5,495,283)

	2010					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
Earnings information						
Revenues	₱1,111,983,028	₱432,487,965	₱30,406,652	₱43,623,335	(₱389,725,138)	₱1,228,775,842
Cost of services and sales	6,936,614	–	30,218,520	5,294,013	–	42,449,147
Equity in net loss of an associate/joint venture	–	–	3,104,763	–	–	3,104,763
Depreciation and amortization	5,660,827	22,310,208	3,595,102	960,495	–	32,526,632
Interest expense and bank charges	147,982	4,626,125	11,931	–	(3,053,018)	1,733,020
Segment income (loss) before tax	660,278,966	91,638,909	(15,659,892)	25,052,582	–	761,310,565
Provision for income tax	10,949,612	24,785,254	244,141	8,709,298	–	44,688,305
Net income (loss) attributable to equity holders of the Parent Company	649,329,354	66,853,655	(15,904,033)	16,343,284	(2,974,582)	713,647,678
Other information						
Segment assets	4,730,258,378	627,073,377	259,341,198	87,698,185	(402,836,563)	5,301,534,575
Segment liabilities	205,131,818	228,780,252	31,222,757	3,774,195	(32,711,321)	436,197,701
Costs to acquire property and equipment	518,681	13,471,472	56,427	101,523	–	14,148,103
Net cash flows provided by (used in):						
Operating activities	256,661,016	209,330,094	12,542,608	16,414,743	(22,264,289)	472,684,172
Investing activities	357,306,299	(23,731,099)	(11,954,715)	1,055,269	(350,738,295)	(28,062,541)
Financing activities	(153,372,002)	(380,632,117)	–	–	375,599,999	(158,404,120)

7. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	**₱201,923,165**	₱181,274,301
Cash in banks	**139,858,467**	71,438,116
Short-term investments	**1,027,360,145**	287,699,554
	₱1,369,141,777	₱540,411,971

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of one to three months depending on the immediate cash requirements of the Group. These short-term investments earn annual interest rates ranging from 1.75% to 3.33% in 2012, 2011 and 2010. Interest income from cash and cash equivalents amounted to ₱22.51 million, ₱11.15 million and ₱13.85 million in 2012, 2011 and 2010, respectively (see Note 17).

8. Loans and receivables

This account consists of:

	2012	2011
Due from:		
Western Union	**₱456,748,895**	₱347,017,898
Broker	**30,003,989**	48,291,151
Sub-agents	**15,174,922**	15,285,589
Business partners	**5,615,263**	3,195,168
Unquoted debt securities	**480,565,787**	296,979,500
Receivable from advertising and web development services	**42,529,019**	33,668,119
Accrued interest receivable	**38,926,078**	34,057,391
Trade receivable	**11,737,072**	77,432,986
Advances to officers and employees	**3,429,063**	2,737,208
Others* (Note 25)	**21,204,528**	15,692,840
	1,105,934,616	874,357,850
Less allowance for credit losses	**43,435,130**	49,960,843
	₱1,062,499,486	₱824,397,007

**Others include advances to suppliers and other non-trade receivables.*

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

Due from sub-agents arises from money transfer services and are shown net of related payables to the same sub-agents. Sub-agent accounts with net payable balances are shown under 'Accounts payable and other current liabilities' in the consolidated statements of financial position (see Note 15).

Unquoted debt securities represent investments in a fixed rate corporate note (FCN) issued by Puregold Price Club, Inc. amounting to ₱150.00 million and a credit linked note (CLN) amounting to US$7.81 million (₱330.57 million). The FCN bears interest of 5.73% and will mature on October 22, 2017. The CLN bears a fixed rate of 5.00% and will mature on July 20, 2013. The CLN also includes an embedded credit default swap, whose reference asset is a global bond issued by SM Investment Corporation to ING Bank, and an embedded currency swap where the issuer agreed to pay the principal and interest cash flows at the rate of ₱42.34 to US$1.00. The fair value of the embedded derivatives as of December 31, 2012 and 2011 is not significant.

Breakdown of unquoted debt securities as to current and noncurrent is as follows:

	2012	2011
Current	₱330,565,787	₱–
Noncurrent	150,000,000	296,979,500
	₱480,565,787	₱296,979,500

The terms and conditions of loans and receivables are as follows:

- Due from Western Union, sub-agents, and business partners generally have one to four days' term.
- Due from broker pertains to the amount collectible for sale of quoted equity securities. This is usually collectible within three days.
- Receivables from advertising and web development services are normally collectible within two to four months after billing is made.
- Advances to officers and employees are either subject for liquidation or collectible through salary deduction.
- Other receivables are all short-term in nature.

The movements of allowance for credit losses are as follows:

	Receivable from advertising and web development services	Accrued interest receivable	Advances to officers and employees	Trade receivables	Others	Total
Balance at beginning of year	₱29,511,309	₱50,667	₱1,295,924	₱7,627,663	₱11,475,280	₱49,960,843
Provision for credit losses (Note 19)	600,000	–	–	–	3,090,076	3,690,076
Recovery of allowance (Note 20)	(3,169,015)	–	–	(7,046,774)	–	(10,215,789)
Balance at end of year	₱26,942,294	₱50,667	₱1,295,924	₱580,889	₱14,565,356	₱43,435,130
Specific assessment	₱26,664,748	₱50,667	₱1,295,924	₱580,889	₱14,565,356	₱43,157,584
Collective assessment	₱277,546	₱–	₱–	₱–	₱–	₱277,546

	2011					
	Receivable from advertising and web development services	Accrued interest receivable	Advances to officers and employees	Trade receivables	Others	Total
Balance at beginning of year	₱26,692,736	₱–	₱321,048	₱7,627,663	₱8,932,664	₱43,574,111
Provision for credit losses (Note 19)	2,818,573	50,667	974,876	–	4,714,729	8,558,845
Recovery of allowance (Note 20)	–	–	–	–	(2,172,113)	(2,172,113)
Balance at end of year	₱29,511,309	₱50,667	₱1,295,924	₱7,627,663	₱11,475,280	₱49,960,843
Specific assessment	₱29,511,309	₱50,667	₱1,295,924	₱7,627,663	₱11,475,280	₱49,960,843

9. Financial Assets at FVPL

This account consists of investments in:

	2012	2011
Quoted:		
Government bonds	₱385,781,634	₱–
Corporate bond	61,575,000	86,627,840
Derivative assets	2,801,400	111,952
	₱450,158,034	₱86,739,792

Government bonds

This consists of fixed rate treasury notes (FXTNs) and a retail treasury bond (RTB) issued by the Republic of the Philippines which the Company intends to sell in the near future. FXTNs bear interest rates ranging from 6.38% to 8.00% and have terms of 10 years and 20 years. RTB bears interest rate of 6.13% and has a term of 25 years.

Corporate bond

This pertains to an investment in a fixed rate corporate bond issued by JG Summit Holdings, Inc. amounting to US$1.50 million (₱61.58 million) and US$1.90 million (₱86.63 million) as of December 31, 2012 and 2011, respectively. The corporate bond bears a fixed rate of 8.00% and matured on January 18, 2013. The corporate bond includes an embedded put option where the Group has the right to sell the bonds back to the issuer on January 19, 2011. The Group did not exercise the right to sell the bond. The corporate bond is designated as at FVPL since it is managed on a total return basis.

In 2012, the Group sold US$0.40 million of the corporate bond and mark-to-market gain recognized in 2012 on the sold corporate bond amounted to ₱0.44 million.

In 2012 and 2011, the Group recognized mark-to-market loss from its quoted government and corporate bonds held at FVPL amounting to ₱0.44 million and ₱3.52 million, respectively. In 2010, the Group recognized mark-to-market gain amounting to ₱2.59 million.

Derivative instruments
This account pertains to currency forward contracts entered into by the Group to economically hedge the foreign exchange risk on US$-denominated assets and liabilities. The Group's outstanding currency forward contracts have an aggregate notional amount of US$3.75 million and US$13.45 million as of December 31, 2012 and 2011, respectively. The weighted average forward contract rate is ₱40.93 to US$1 and ₱43.79 to US$1, respectively. As of December 31, 2012, the Group is in a net buy US dollar position while as of December 31, 2011, the Group is in sell US dollar position.

The movements in the Group's derivative instruments are as follows:

	2012	2011
Balance at beginning of year		
Derivative assets	₱111,952	₱25,214,110
Derivative liabilities	(777,820)	(20,670,939)
	(665,868)	4,543,171
Fair value changes	23,421,550	13,542,738
Settled transactions	(20,209,282)	(18,751,777)
	3,212,268	(5,209,039)
Balance at end of year		
Derivative assets	2,801,400	₱111,952
Derivative liabilities	(255,000)	777,820
	₱2,546,400	₱889,772

In 2012, 2011 and 2010, the net fair value changes on the Group's currency forward contracts amounting to ₱23.42 million, ₱13.54 million and ₱17.61 million, respectively, are recognized in foreign exchange gain under 'Other income'.

10. Available-For-Sale Investments

This account consists of investments in:

	2012	2011
Quoted:		
Equity securities	₱1,666,255,287	₱1,270,721,653
Government bonds	1,355,540,891	1,535,603,049
Corporate bonds	77,819,199	55,568,743
Unquoted:		
Corporate bonds	172,424,074	292,950,592
Equity securities	239,312	207,296
Mutual funds	1,583,970,477	1,143,801,986
Golf shares	570,000	570,000
	4,856,819,240	4,299,423,319
Allowance for impairment losses	(239,312)	(207,296)
	₱4,856,579,928	₱4,299,216,023

Quoted equity securities pertain to investments in stocks of companies listed in the Philippine Stock Exchange.

Quoted government bonds primarily consist of peso-denominated FXTNs and RTBs. These FXTNs and RTBs earn interest rates ranging from 6.13% to 8.13% and from 6.38% to 8.13% in 2012 and 2011, respectively.

Quoted government bonds also include USD-denominated sovereign bond issued by the Republic of Indonesia amounting to US$1.00 million (₱41.05 million and ₱43.84 million as of December 31, 2012 and 2011, respectively) which earns interest of 7.50% and will mature on January 25, 2016, and USD-denominated sovereign bond issued by the Republic of the Philippines amounting to US$0.15 million (₱6.16 million and ₱6.58 million as of December 31, 2012 and 2011, respectively), which earns interest of 6.50% and will mature on January 20, 2020.

Quoted corporate bonds are USD-denominated bonds issued by private companies. These corporate bonds earn interest rates ranging from 5.25% to 5.50% in 2012 and 5.50% in 2011.

Unquoted corporate bonds are PHP-denominated bonds issued by private companies that are not traded in an active market. These corporate bonds earn interest rates ranging from 6.80% to 9.10% in 2012 and 2011.

Unquoted equity securities represent investments in stocks of companies delisted in the Philippine Stock Exchange. The Group assessed these unquoted equity securities to be impaired and charged ₱0.03 and ₱0.21 million under 'Provision for credit and impairment losses' in 2012 and 2011, respectively. No provision for impairment losses was recognized in 2010.

Mutual funds represent investment in an open-end mutual fund company at a cost of ₱955.48 million, with unrealized gain of ₱628.49 million, and ₱904.58 million, with unrealized gain of ₱239.22 million, as of December 31, 2012 and 2011, respectively.

Trading gains recognized from the sale of AFS investments are as follows:

	2012	2011	2010
Equity securities	**₱260,207,219**	₱218,808,123	₱438,929,839
Bonds	**73,457,197**	84,935,046	65,119,990
Mutual funds	**–**	29,406,881	–
	₱333,664,416	₱333,150,050	₱504,049,829

Interest income earned from AFS investments amounted to ₱85.37 million, ₱103.28 million and ₱93.85 million in 2012, 2011 and 2010 (see Note 17).

Movement of cumulative net unrealized gain on changes in the fair values of AFS investments, which are presented as separate component of equity in the consolidated statements of financial position are as follows:

	2012	2011	2010
Balance at beginning of year	**₱559,388,191**	₱587,388,710	₱352,606,618
Fair value changes taken to equity	**857,965,232**	305,149,531	738,831,921
Amounts taken to profit or loss (Note 17)	**(333,664,416)**	(333,150,050)	(504,049,829)
Net change in fair value for the year	**524,300,816**	(28,000,519)	234,782,092
Balance at end of year	**1,083,689,007**	559,388,191	587,388,710
Tax effect (Note 24)	**(415,620)**	(1,003,292)	(167,211,136)
Balance at end of year, net of tax	**₱1,083,273,387**	₱558,384,899	₱420,177,574

Net changes in fair value of AFS investments, net of tax, which are presented as other comprehensive income in the consolidated statements of comprehensive income are as follows:

	2012	2011	2010
Net change in fair value for the year	**₱524,300,816**	(₱28,000,519)	₱234,782,092
Decrease (increase) in deferred tax liability	**587,672**	166,207,894	(58,081,783)
	₱524,888,488	₱138,207,375	₱176,700,309

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2012	2011
Input value-added tax	**₱3,253,030**	₱3,246,517
Prepaid expenses	**2,461,136**	6,500,670
Creditable withholding tax	**536,782**	2,105,139
Others	**2,465,222**	2,046,900
	₱8,716,170	₱13,899,226

Prepaid expenses comprise of rent, insurance, taxes and uniforms. Others include construction and renovation deposits paid by e-Business' branches.

12. Investments in an Associate and a Joint Venture

Details of investments in an associate and a joint venture follow:

	2012	2011
Acquisition costs:		
Balance at beginning of year		
Associate		
FAUSI	**₱300,000**	₱300,000
Joint Venture		
Media Contacts, Inc.	**4,836,800**	4,836,800
Disposal of investment in joint venture	**(4,836,800)**	–
Balance at end of year	**300,000**	5,136,800
Allowance for impairment	**(180,772)**	(180,772)
	119,228	4,956,028
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**1,752**	(1,147,331)
Equity in net earnings (losses)	**(56,749)**	1,149,083
Disposal of investment in joint venture	**54,997**	–
Balance at end of year	**₱–**	1,752
	₱119,228	₱4,957,780

The movements in the allowance for impairment on the investment in FAUSI are as follows:

	2012	2011
Balance at beginning of year	**₱180,772**	₱168,761
Provision for impairment losses	**–**	12,011
Balance at end of year	**₱180,772**	₱180,772

Investment in an associate represents e-Business' 25.00% ownership in Fifth Agency Unified Services, Inc. (FAUSI). FAUSI was incorporated in the Philippines on August 10, 2004 and started commercial operations on April 4, 2005. FAUSI is engaged in electronic commerce and trading, through the internet-based facilities and other on-line transactions, including but not limited to the development and marketing of goods and services and electronic value or debit cards.

On February 4, 2008, the BOD has decided to stop and wind down FAUSI's operations effective March 2008. In 2012, the BOD of the Company approved the liquidation of FAUSI. As of December 31, 2012, the stockholders of FAUSI have yet to convene to finalize the liquidation plan.

Investment in a joint venture represents Yehey!'s investment in Media Contacts, Inc. (MCI). On October 27, 2008, Yehey! entered into a joint venture contract with Media Contacts, S.A. to create MCI. The purpose of this joint venture is to provide marketing, sales and promotional consultancy services, including the conceptualization, preparation, creation, supply and delivery of marketing, sales and promotional plans and support services, provided that the Yehey! shall not engage in the buying of media time or space for its clients. The initial investment of Yehey! comprised of share holdings in the joint venture which amounted to ₱4.8 million. Media Contacts, S.A. also subscribed and paid for shares of the same amount.

On April 16, 2012, Yehey! sold its 50% ownership interest in MCI to Media Contacts, S.A. for 7.50 million. Yehey! recognized ₱2.72 million gain from the sale, which is reported as 'Gain on sale of investment in a joint venture' in the consolidated statement of income.

The following table presents the financial information of FAUSI (amounts in thousands):

Year	Total Assets	Total Liabilities	Net Loss
2012	**₱812**	**₱445**	**₱97**
2011	858	393	60
2010	862	337	75

FAUSI has no noncurrent assets and noncurrent liabilities as of December 31, 2012 , 2011 and 2010.

The following table presents the financial information of MCI (amounts in thousands):

	Statements of Financial Position		
Year	Total Current Assets	Total Noncurrent Assets	Total Current Liabilities
2011	₱42,394	₱3,477	₱20,605
2010	28,213	20,717	13,337

MCI has no noncurrent liabilities as of December 31, 2012 and 2011.

	Statements of Comprehensive Income		
Period	Gross Income	Expenses	Net Income (Loss)
January 1 to March 31, 2012	₱8,417	₱8,058	(₱113)
For the year ended December 31, 2011	17,302	13,498	2,298
For the year ended December 31, 2010	23,430	14,093	6,210

MCI has no contingent liabilities or capital commitments as of December 31, 2011 and 2010.

13. Property and Equipment

This account consists of:

	2012						
	Office Condominium	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Server and Network Equipment	Office Improvements	Total
Cost							
Balance at beginning of year	₱37,756,690	₱130,103,710	₱19,194,590	₱120,102,700	₱9,236,908	₱10,517,702	₱326,912,300
Additions	-	6,314,327	5,085,217	7,550,536	138,523	-	19,088,603
Disposals	-	-	(1,204,638)	(2,179,475)	(104,161)	(42,813)	(3,531,087)
Balance at end of year	37,756,690	136,418,037	23,075,169	125,473,761	9,271,270	10,474,889	342,469,816
Accumulated Depreciation and Amortization							
Balance at beginning of year	19,575,510	121,342,869	12,261,597	110,775,791	8,223,404	10,401,470	282,580,641
Depreciation and amortization (Notes 19 and 20)	2,280,237	3,365,633	2,515,119	8,317,623	723,963	37,503	17,240,078
Disposals	-	-	(1,204,634)	(1,959,071)	(54,934)	(42,814)	(3,261,453)
Balance at end of year	21,855,747	124,708,502	13,572,082	117,134,343	8,892,433	10,396,159	296,559,266
Net Book Value	₱15,900,943	₱11,709,535	₱9,503,087	₱8,339,418	₱378,837	₱78,730	₱45,910,550

	2011						
	Furniture and Fixtures	Office Improvements	Transportation Equipment	Office Condominium	Server and Network Equipment	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱116,184,291	₱10,517,702	₱21,200,636	₱37,756,690	₱8,534,935	₱125,913,426	₱320,107,680
Additions	5,261,595	-	2,827,293	-	701,973	7,074,790	15,865,651
Disposals	(1,343,186)	-	(4,833,339)	-	-	(2,884,506)	(9,061,031)
Balance at end of year	120,102,700	10,517,702	19,194,590	37,756,690	9,236,908	130,103,710	326,912,300
Accumulated Depreciation and Amortization							
Balance at beginning of year	99,053,873	9,878,879	13,000,903	17,295,367	7,192,545	121,987,904	268,409,471
Depreciation and amortization (Notes 19 and 20)	13,065,015	522,591	2,934,019	2,280,143	1,030,859	2,239,471	22,072,098
Disposals	(1,343,097)	-	(3,673,325)	-	-	(2,884,506)	(7,900,928)
Balance at end of year	110,775,791	10,401,470	12,261,597	19,575,510	8,223,404	121,342,869	282,580,641
Net Book Value	₱9,326,909	₱116,232	₱6,932,993	₱18,181,180	₱1,013,504	₱8,760,841	₱44,331,659

Fully depreciated assets are retained in the account until they are no longer in use and no further depreciation and amortization are charged against current operations. As of December 31, 2012 and 2011, the cost of fully depreciated assets still being used in operations amounted to ₱165.43 million and ₱146.33 million, respectively.

Depreciation and amortization of property and equipment is recognized in the consolidated statements of income under:

	2012	2011	2010
General and administrative expenses (Note 19)	₱16,647,240	₱21,187,825	₱27,938,425
Cost of services and sales (Note 18)	592,838	₱884,273	3,930,219
	₱17,240,078	₱22,072,098	₱31,868,644

14. **Other Noncurrent Assets**

This account consists of:

	2012	2011
Receivable from sale of investment	₱96,592,600	₱96,592,600
Rental and other deposits	20,729,593	18,456,517
Software and website costs	3,220,609	3,261,053
Others	810,483	795,384
	121,353,285	119,105,554
Less allowance for credit and impairment losses	96,815,015	96,815,015
	₱24,538,270	₱22,290,539

In 2011, the Parent Company sold its investment in Lucky Star (a company incorporated to operate off- front on betting stations in the Philippines) 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 related receivable from the sale, which is collectible over ten years at a certain pre-agreed installment terms until 2012, has been fully provided with allowance for credit losses. As collections are actually received, an equivalent amount of the allowance will be reversed and credited to income.

The movement of software and website costs follows:

	2012	2011
Cost	₱10,986,779	₱10,986,779
Accumulated Amortization		
Balance at beginning of year	7,725,726	6,945,753
Amortization (Note 19)	40,444	779,973
Balance at end of year	7,766,170	7,725,726
	₱3,220,609	₱3,261,053

Amortization of software and website costs are recognized under 'General and administrative expenses' in the consolidated statements of income.

The movement in the allowance for credit and impairment losses follows:

	2012	2011
Balance at beginning of year	₱96,815,015	₱96,592,600
Provision for impairment losses	–	222,415
Balance at end of year	₱96,815,015	₱96,815,015

15. Accounts Payable and Other Current Liabilities

This account consists of:

	2012	2011
Due to sub-agents and brokers (Note 8)	**₱196,929,646**	₱135,273,271
Accrued expenses	**51,534,561**	69,935,443
Trade	**24,695,822**	56,555,896
Output value added tax	**8,132,813**	6,804,155
Derivative liabilities (Note 9)	**255,000**	777,820
Others	**16,733,693**	19,118,447
	₱298,281,535	₱288,465,032

Terms and conditions and nature of the liabilities follow:

- Due to sub-agents and brokers are noninterest-bearing and are normally settled on a two to four days' term.
- Accrued expenses consists of accruals for profit sharing costs, vacation leave and sick leave conversion, insurance, security services, cash delivery services, utilities, media buys and others.
- Trade payables include amounts due for purchase of government bonds.
- Other payables include withholding taxes payable, documentary stamp tax payable, merchant deposits, sundry credits and others.

Trade payables, accrued expenses and other payables are all short-term in nature.

16. Notes Payable

In 2012, e-Business availed of USD denominated unsecured short-term loans from different counterparty banks at annual interest rates ranging from 2.75% to 3.00%. Interest expense incurred on these loans amounted to ₱9.78 million in 2012, which is recognized under 'Interest expense and bank charges' in the consolidated statement of income.

17. Revenue

This account consists of:

	2012	2011	2010
Trading gains (Notes 9 and 10)	**₱333,663,314**	₱329,626,095	₱506,639,797
Commission income	**313,304,937**	334,087,049	350,326,588
Interest income from:			
AFS investments	**85,374,345**	103,282,875	93,852,163
Cash and cash equivalents (Note 7)	**22,511,417**	11,148,335	13,850,853
Unquoted debt securities	**16,777,043**	4,075,852	–
Financial assets at FVPL	**7,298,146**	6,583,120	6,621,675
Others (Note 25)	**–**	386,945	–

	2012	2011	2010
Service income	87,633,738	65,414,284	43,623,335
Share in foreign exchange differential	81,507,179	85,573,235	75,767,180
Money changing gain	34,076,538	36,485,920	59,577,996
Dividend income	37,039,014	35,610,251	45,775,827
Advertising, web development and internet service	31,417,088	33,851,638	30,406,652
Income from business partners	8,348,495	2,868,068	2,333,776
	₱1,058,951,254	₱1,048,993,667	₱1,228,775,842

18. Cost of Services and Sales

This account consists of:

	2012	2011	2010
Personnel costs	₱18,042,166	₱16,950,227	₱32,988,587
Cost of digital public relations	3,274,925	735,656	219,181
Service connection fee	1,465,587	1,127,748	2,480,287
Advertising and web development	918,888	669,146	2,511,568
Subscription	607,506	948,284	81,000
Depreciation and amortization (Notes 13 and 14)	592,838	884,273	2,712,181
Provision for retirement costs (Note 22)	191,741	400,933	(94,342)
Others	167,161	1,514,692	1,550,685
	₱25,260,812	₱23,230,959	₱42,449,147

19. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Personnel costs	₱120,807,858	₱154,199,889	₱127,582,788
Rent and utilities (Note 21)	73,934,773	77,960,333	74,919,875
Commission expense	69,208,683	61,879,343	55,519,975
Outside services	61,943,000	64,150,913	63,885,951
Professional fees	51,558,150	22,063,160	12,979,469
Depreciation and amortization (Notes 13 and 14)	16,687,684	21,967,798	29,814,451
Transportation and communication	16,090,435	15,876,117	29,530,532
Taxes and licenses	13,462,210	11,811,586	9,543,786
Office supplies	12,292,296	14,006,383	18,912,791
Advertising	4,322,919	12,252,274	5,747,651
Repairs and maintenance	4,021,621	3,010,177	3,391,826
Entertainment, amusement and recreation	2,847,555	3,631,565	4,029,316
Insurance	1,497,050	2,970,288	5,430,448
Membership fees and other dues	1,424,029	1,411,709	404,060
Provision for credit and impairment losses (Notes 8, 10, 11, 12 and 14)	3,722,092	13,836,393	16,519,143
Provision for retirement costs (Note 22)	148,646	(180,113)	(758,386)
Others	3,191,079	7,701,706	8,924,861
	₱457,160,080	₱488,549,521	₱466,378,537

20. Other Income

This account consists of:

	2012	2011	2010
Foreign exchange gain (Note 9)	**₱29,692,638**	₱17,332,926	₱46,275,786
Recovery of allowance for credit losses (Note 8)	**10,215,789**	2,172,113	-
Gain from sale of property and equipment	**59,521**	21,070	302,946
Miscellaneous income (loss)	**3,446,448**	5,818,411	(378,542)
	₱43,414,396	₱25,344,520	₱46,200,190

In 2011, miscellaneous income includes the ₱4.15 million reversal of asset retirement obligation of e-Business as the latter was able to establish that it does not have an obligation to dismantle leasehold improvements and to return the leased spaces to their original condition.

21. Lease Commitments

e-Business leases its office space and the space occupied by its branches with varying periods of up to 5 years and, renewable on such terms and conditions mutually acceptable to both parties. Rent expense charged to operations amounted to ₱55.33 million, ₱57.47 million and ₱52.08 million in 2012, 2011, and 2010, respectively.

The minimum annual rental commitments under the aforementioned lease agreements are as follows:

Year	2012	2011
Within one year	**₱39,999,426**	₱38,612,768
After one year but not more than five years	**24,273,042**	43,979,380

22. Retirement Plan

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

The following table summarizes the components of retirement expense recognized in the consolidated statements of income:

	2012					2011					2010			
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	Total
Retirement costs:														
Current service cost	₱241,608	₱61,192	₱1,294,248	₱173,907	1,770,955	₱142,800	₱35,824	₱903,150	₱217,476	₱1,299,250	₱104,400	₱98,623	₱851,178	₱1,054,201
Interest cost on benefit obligation	60,319	30,232	318,640	22,844	432,035	85,659	37,679	348,289	49,844	521,471	58,783	26,424	254,322	339,529
Net actuarial gain recognized for the year	(15,193)	(100,879)	(1,163,189)	(5,010)	(1,284,271)	(44,322)	(168,915)	(1,131,653)	226,641	(1,118,249)	-	(229,389)	(1,303,511)	(1,532,900)
Expected return on plan assets	-	-	(578,332)	-	(578,332)	-	-	(481,652)	-	(481,652)	-	-	(713,558)	(713,558)
	₱286,734	(₱9,455)	(₱128,633)	₱191,741	₱340,387	₱184,137	(₱95,412)	(₱361,866)	₱493,961	₱220,820	₱163,183	(₱104,342)	(₱911,569)	(₱852,728)

Retirement costs are recognized in the consolidated statements of income under:

	2012	2011	2010
Cost of services and sales	₱191,741	₱400,933	(₱758,386)
General and administrative expenses	148,646	(180,113)	(94,342)
	₱340,387	220,820	(₱852,728)

The amounts recognized in the consolidated statements of financial position follow:

	2012					2011					2010			
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	Total
Present value of retirement obligation (PVO)	₱1,480,270	₱569,896	₱6,888,854	₱685,702	₱9,624,722	₱1,058,225	₱487,608	₱5,223,612	₱493,961	₱7,263,406	₱520,090	₱418,651	₱4,097,523	₱5,036,264
Fair value of plan assets	-	-	(13,653,717)	-	(13,653,717)	-	-	(11,566,635)	-	(11,566,635)	-	-	(9,633,031)	(9,633,031)
Net pension obligation (asset)	1,480,270	569,896	(6,764,863)	685,702	(4,028,995)	1,058,225	487,608	(6,343,023)	493,961	(4,303,229)	₱520,090	418,651	(5,535,508)	(4,596,767)
Unrecognized net actuarial gain (loss)	183,213	461,413	10,755,382	-	11,400,008	318,524	553,156	10,462,175	-	11,333,855	672,522	717,525	10,016,526	11,406,573
	₱1,663,483	₱1,031,309	₱3,990,519	₱685,702	₱7,371,013	₱1,376,749	₱1,040,764	₱4,119,152	₱493,961	₱7,030,626	₱1,192,612	₱1,136,176	₱4,481,018	₱6,809,806

Changes in the PVO are as follows:

	2012					2011					2010			
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	Total
Balance at beginning of year	₱1,058,225	₱487,608	₱ 5,223,612	₱493,961	₱7,263,406	₱520,090	₱418,651	₱4,097,523	₱–	₱5,036,264	₱356,907	₱293,604	₱2,992,023	₱3,642,534
Interest cost on benefit obligation	60,319	30,232	318,640	22,844	432,035	85,659	37,679	348,289	49,844	521,471	58,783	26,424	254,322	339,529
Current service cost	241,608	61,192	1,294,248	173,907	1,770,955	142,800	35,824	903,150	217,476	1,299,250	104,400	98,623	851,178	1,054,201
Actuarial loss (gain)	120,118	(9,136)	52,354	(5,010)	158,326	309,676	(4,546)	(125,350)	–	179,780	–	–	–	–
Transitional loss	–	–	–	–	–	–	–	–	226,641	226,641	–	–	–	–
Balance at end of year	₱1,480,270	₱569,896	₱6,888,854	₱685,702	₱9,624,722	₱1,058,225	₱487,608	₱5,223,612	₱493,961	₱7,263,406	₱520,090	₱418,651	₱4,097,523	₱5,036,264

Actuarial loss (gain) on PVO follows:

	2012					2011					2010			
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	Total
Experience adjustments	₱129,536	₱18,729	(₱660,614)	(₱5,010)	(₱517,359)	₱474,668	₱203,935	(₱1,686,631)	₱–	(₱1,008,028)	₱–	₱–	₱–	₱–
Change in assumptions	(9,418)	(27,865)	712,968	–	675,685	(164,992)	(208,481)	1,561,281	–	1,187,808	–	–	–	–
	₱120,118	₱ (9,136)	₱52,354	(₱5,010)	₱158,326	₱309,676	(₱4,546)	(₱125,350)	₱–	₱179,780	₱–	₱–	₱–	₱–

Movements in the retirement payable are as follows:

	2012					2011				
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	PEMI	Total
Balance at beginning of year	₱1,376,749	₱1,040,764	₱4,119,152	₱493,961	₱7,030,626	₱1,192,612	₱1,136,176	₱4,481,018	₱–	₱6,809,806
Retirement costs	286,734	(9,455)	(128,633)	191,741	340,387	184,137	(95,412)	(361,866)	493,961	220,820
Balance at end of year	₱1,663,483	₱1,031,309	₱3,990,519	₱685,702	₱7,371,013	₱1,376,749	₱1,040,764	₱4,119,152	₱493,961	₱7,030,626

Amounts for the current and previous years follow:

	2012	2011	2010	2009	2008
Fair value of plan assets	**₱13,653,717**	₱11,566,635	₱9,633,031	₱8,919,473	₱7,177,700
Present value of defined benefit obligation	**9,624,722**	7,263,406	5,036,264	3,642,534	1,702,800
Funded status	**4,028,995**	4,303,229	4,596,767	5,276,939	5,474,900
Experience adjustments on plan liabilities	**517,359**	1,008,028	–	871,856	4,978,702

Changes in the fair value of e-Business' plan assets are as follows:

	2012	2011
Balance at beginning of year	**₱11,566,635**	₱9,633,031
Actuarial gain	**1,508,750**	1,451,952
Expected return on plan assets	**578,332**	481,652
Balance at end of year	**₱13,653,717**	₱11,566,635
Actual return on plan assets	**₱2,087,082**	₱1,933,604

The major categories of e-Business' plan assets as a percentage of the fair value of total plan assets are as follows:

	2012		2011	
	Amount	Percentage	Amount	Percentage
Cash and cash equivalents	**₱5,719,961**	**41.89%**	₱4,679,860	40.46%
Investment in common trust fund	**7,933,756**	**58.11%**	5,990,360	51.79%
Investment in government securities	–	–	896,415	7.75%

e-Business' plan assets are in the form of a trust fund being maintained by a trustee bank.

The principal assumptions used in determining retirement benefits obligation are as follows:

	2012				2011				2010		
	Parent Company	Yehey!	e-Business	PEMI	Parent Company	Yehey!	e-Business	PEMI	Parent Company	Yehey!	e-Business
Discount rate											
January 1	**5.47%**	**6.20%**	**6.10%**	**6.00%**	16.47%	9.00%	8.50%	8.25%	16.47%	15.09%	18.75%
December 31	**5.00%**	**9.00%**	**5.40%**	**5.45%**	5.47%	6.20%	6.10%	6.00%	16.47%	9.00%	8.50%
Future salary increase	**4.00%**	**4.00%**	**4.00%**	**4.00%**	4.00%	4.00%	4.00%	4.00%	10.00%	4.00%	4.00%
Expected rate of return on plan assets	**–**	**–**	**–**	**–**	–	–	5.00%	–	–	–	8.00%
Average remaining service period	**3 years**	**5 years**	**4 years**	**15 years**	4 years	4 years	8 years	15 years	6 years	3 years	6 years

Employee turnover ranges from 2.50% to 20.00% depending on age brackets.

The expected rate of return on plan assets represents the expected long-term rate of return on the retirement fund investment.

23. Equity

Capital Stock - ₱1 par value of common shares

The details of this account as of December 31, 2012 and 2011 are shown below:

	Shares	Amount
Authorized shares	2,250,000,000	₱2,250,000,000
Issued shares	2,235,390,633	₱2,235,390,633
Treasury stock	(134,855,500)	(188,520,838)
Outstanding shares	2,100,535,133	₱2,046,869,795

On various dates in 2010, the Parent Company acquired a total of 107.99 million shares for ₱153.37 million thereby increasing the total acquired shares to 134.86 million shares for an aggregate price of ₱188.52 million.

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

a. Authorized Shares

Date of SEC Approval	Type of Shares	Authorized Number of Shares
January 12, 2009	Common	2,250,000,000
October 20, 1992	Common	1,900,000,000

b. Stock Dividends

Date of SEC Approval	Percentage
January 12, 2009	25%

c. Number of Shareholders

Year End	Number of shareholders
December 31, 2012	688
December 31, 2011	685

In the consolidated financial statements, a portion of the Group's retained earnings corresponding to the accumulated net earnings of the subsidiaries amounting to ₱343.34 million and ₱299.60 million as of December 31, 2012 and 2011, respectively, is not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend declaration upon receipt of dividends from the investees.

24. Income Tax

The provision for current income tax represents the RCIT of the Parent Company, PEMI, e-Business, Yehey! and iCurrencies and MCIT of eBiz Financial.

Components of the net deferred tax assets of the Group follow:

	2012	2011
Deferred tax assets:		
Allowance for credit losses	₱2,233,376	₱1,795,794
Retirement payable	1,235,746	1,235,746
Unrealized foreign exchange loss	296,330	–
Allowance for impairment of investment	54,231	54,231
	3,819,683	3,085,771
Deferred tax liabilities:		
Prepaid rent	–	1,044,782
Net deferred tax assets	₱3,819,683	₱2,040,989

Components of the deferred tax liabilities of the Group follow:

	2012	2011
Deferred tax liabilities		
Net unrealized gain on changes in fair value of AFS investments	₱415,620	₱1,003,292

The details of deductible temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax asset had been recognized in the consolidated statements of financial position as management believes that there will be no sufficient future taxable income against which these can be applied, are as follows:

	2012	2011
Allowance for credit losses	₱132,839,726	₱137,968,253
Unrealized foreign exchange losses	15,909,552	9,530,961
Retirement payable	3,380,494	2,417,513
Leave credits for employees	1,267,524	1,477,250
NOLCO	229,202	204,333
Accrued rent	–	5,741,881
	₱153,626,498	₱157,340,191
Excess of MCIT over RCIT	₱–	₱14,242

Movements in NOLCO and MCIT are as follows:

	2012		2011	
	NOLCO	Excess MCIT	NOLCO	Excess MCIT
Balance at beginning of year	₱204,333	₱14,242	₱17,516,014	₱628,722
Addition	109,412	–	–	–
Application/expiration	(84,543)	(14,242)	(17,311,681)	(614,480)
Balance at end of year	₱229,202	–	₱204,333	₱14,242

Details of the Group's NOLCO are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2009	₱84,543	(₱84,543)	₱–	
2010	52,089	–	52,089	2013
2011	67,701	–	67,701	2014
2012	109,412	–	109,412	2015
	₱313,745	(₱84,543)	₱229,202	

The reconciliation of income before income tax computed at the statutory income tax rate to the provision for income tax as shown in the consolidated statements of income is as follows:

	2012	2011	2010
Statutory income tax	₱183,575,398	₱168,341,099	₱228,393,170
Income tax effects of:			
Trading gains	(100,099,325)	(97,327,297)	(151,991,909)
Interest income subjected to final tax and exempt from tax	(25,817,881)	(26,051,316)	(24,692,400)
Dividend income exempt from tax	(11,111,704)	(10,683,075)	(13,732,748)
Changes in unrecognized deferred tax assets	(330,425)	(8,758,802)	(13,416,287)
Others	(4,390,716)	5,792,617	20,128,479
Effective income tax	₱41,825,347	₱31,313,226	₱44,688,305

25. Related Party Transactions

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

Related party transactions with subsidiaries are eliminated in the consolidated financial statements.

Other related party transactions include the following:

		2012		
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱–	₱346,544	On demand, noninterest bearing and unsecured
MCI (Joint venture)	Due from MCI (Other receivables)		–	Unsecured advances at annual interest rate of 4.00%
	Cash advances	–		
	Settlement	1,456,500		
	Interest income	–		
	Commission income	117,039	–	Pertains to 2.00% commission earned from media sales

Related Party	Category	2011 Amount/ Volume	2011 Outstanding Balance	2011 Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱64,859	₱346,544	On demand, noninterest bearing and unsecured
MCI (Joint venture)	Due from MCI (Other receivables)		1,456,500	Unsecured advances at annual interest rate of 4.00%
	Cash advances	1,456,500		
	Settlement	5,275,764		
	Interest income	386,945		
	Commission income	166,167		Pertains to 2.00% commission earned from media sales

Related Party	Category	2010 Amount/ Volume	2010 Outstanding Balance	2010 Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱9,188	₱281,685	On demand, noninterest bearing and unsecured
MCI (Joint venture)	Due from MCI (Other receivables)		6,732,264	Unsecured advances at annual interest rate of 4.00%
	Cash advances	6,732,264		
	Settlement	–		
	Interest income	–		
	Commission income	83,774		Pertains to 2.00% commission earned from media sales

Compensation of key management personnel of the Group is as follows:

	2012	2011	2010
Salaries and wages	₱12,402,468	₱15,555,985	₱16,445,855
Retirement benefits	478,475	848,770	220,140
	₱12,880,943	₱16,404,755	₱16,665,995

26. Basic/Diluted Earnings Per Share

		2012	2011	2010
(a)	Net income attributable to equity holders of the Parent Company	₱549,315,617	₱514,705,557	₱713,647,678
(b)	Weighted average outstanding shares	2,100,535,133	2,100,535,133	2,134,334,104
(c)	Basic/Diluted earnings per share (a/b)	₱0.2615	₱0.2450	₱0.3344

On various dates in 2010, the Parent Company acquired a total of 107.99 million shares for ₱153.37 million thereby increasing the total acquired shares to 134.86 million shares for an aggregate price of ₱188.52 million.

As of December 31, 2012 and 2011, the Parent Company does not have dilutive potential common shares.

27. **Contingencies**

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities which are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its assets and liabilities as a result of these transactions.