# **COVER SHEET**

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# T<u>àn</u> V<u>enturanza</u> V<u>aldez</u>

Philippine Stock Exchange Centre Exchange Road, Ortigas Center

1605 Pasig City, Metro Manila

12 July 2013

SECURITIES AND EXCHANGE COMMISSION

SEC Bldg. EDSA, Greenhills Mandaluyong City, Metro Manila

Attention:

Atty. Justina F. Callangan

Director

**Corporation Finance Department** 

Re:

Definitive Information Statement for the 2013 Annual Stockholders' Meeting of Vantage Equities, Inc. ("Vantage")

-----

Philippines

2704 East Tower

Philippines

P.O. Box 12767

(632) 632-0905

Ortigas Center Post Office

1605 Pasig City, Metro Manila



(632) 635-4703



info@tvvlaw.com



www.tvvlaw.com

A. BAYANI K. TAN
RIO S. E. VENTURANZA
ENRICO G. VALDEZ
HOSANNA T. AYSON
RENO R. GONZALES, JR.
JASON C. NALUPTA

CONRAD S. TOLENTINO
MARIA CECILIA V. SORIA
EVAN E. DOMASIAN
PAULA DANICA L. TORKASHVAND
DARWIN S. OCAMPO
EMMA THERESA M. CABOCHAN
ANNA FRANCESCA C. RESPICIO
ROBIN BRYAN F. CONCEPCION
MEL JOHN I. VERZOSA
KATRINA C. MULI
CELERINA ROSE D. FAJARDO
MARIO VINCENT N. DIAZ
ADRIAN FRANCIS S. BUSTOS

Gentlemen:

On behalf of our client, Vantage, we submit herewith its Definitive Information Statement or SEC Form 20-IS for its 2013 Annual Stockholders Meeting, incorporating the following amendments as requested in your letter dated 27 June 2013:

VANTAGE EQUITIES, INC.									
	SEC Form 20-IS Preliminary filed on June 27, 2013								
Checklist of Requirements	Page No.	Remarks							
		Submit signed copy of the Notice of Annual Stockholder's Meeting	Done. Please see completed notice.						
	P <sub>t</sub>	and the second of the second o							
B. Control and Compensation Information	n								
IMBERICUPAL HOLIDERS	3	Disclose equity ownership of foreigners on a per class basis, if any	Done. Please see Page 3 of the Definitive 20-IS.						
Furnished information required by Part IV paragraph © of "Annex C"									
(1) Security Ownership of Certain Record and Beneficial Owners of more than 5%		Identify the person/s who will vote the shares held by Creative Wisdom, Inc.	Done. Please see Page 4 of the Definitive 20-IS.						
IMBM S IDBRECTORS & EXCUMVE OFFICIERS									
Information required by Part IV paragraph (A), (D)(1) and (D)(3) of "Annex C'									
(A)(1) Identify Directors, including independent Directors and Executive Officers		(1) Submit update Certification on the Qualifications and Disqualification of Independent Directors	SEC Notice dated 20 October 2006 states that "the certification shall be submitted within 30 days from the date of election or appointment" of an independent						

Philippine Member:



(D) (1) Certain Relationships and Related Transactions  (1) In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures, registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions. The Commission considers the discussion of the following to be necessary:  (a) the business purpose of the arrangement;  (b) identification of the related parties transaction business with the registrant and nature of the relationship;  (c) how transaction prices were determined by parties;  (d) if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made; and		
(1) In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures, registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions. The Commission considers the discussion of the following to be necessary:  (a) the business purpose of the arrangement;  (b) identification of the related parties transaction business with the registrant and nature of the relationship;  (c) how transaction prices were determined by parties;  (d) if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made; and	npany is reminded norandum Circular on the Independent for direct under subm within	d, the oration rtakes to file said fication during aid time.  Corporation the reminder term limits independent
financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures, registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions. The Commission considers the discussion of the following to be necessary:  (a) the business purpose of the arrangement;  (b) identification of the related parties transaction business with the registrant and nature of the relationship;  (c) how transaction prices were determined by parties;  (d) if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made; and		
(e) any ongoing contractual or other commitments as a result of the arrangement  (2) The disclosure shall also include information about parties that fall outside the definition "related parties" under SFAS/IAS No. 24, but with whom the registrants or its related have a relationship that enables the parties to negotiate terms of material transactions	transa subsitivanta elimin Conse Finan States see puthe Disconsiderated with the 2012	nated in the olidated

that may not be available from other, more			
clearly independent parties on an arm's			
length basis. For example, an entity may	1		
be established and operated by individuals			
that were former senior management of, or			
have some other current or former			
relationship with, a registrant. The			
purpose of the entity may be to own assets	ĺ		
used by the registrant or provide financing			
or services to be registrant. Although			
former management or persons with other			
relationships may not meet the definition			
of a related party pursuant to SFAS/IAS	ľ		
No. 24, the former management positions			
may result in negotiation of terms that are			
more or less favorable that those available			
on arm's-length basis from clearly			
independent third parties that are material			
to the registrant's financial position or			
financial performance.			
_			
In some cases, investors may be unable to			
understand the registrant's reported results			
of operations without clear explanation of			,
these arrangements and relationships.			
Items of similar nature may be disclosed	}		
in aggregate except when separate			
disclosure is necessary for an			
understanding of the effect of related party			
transaction on the financial statements.			
			· · · · ·
THE MEG. COMPENSAVITION OF			
IDIRIBC'IVORSI & IBXIBCUTTIIVIE			
<b>OPFICIERS</b>			
If action to be taken with regard to			
election, any bonus, profit sharing,			
pension/retirement plan granting of			
extension of any portion, warrant or right			
to purchase any securities, furnished the			
following:			No. 100-1
(1) Summary Compensation Table	10 to 11	Not complied with. Indicate	Done. Please see
		compensation of the CEO and	page 10-11 of the
		top four (4) most highly	Definitive 20-IS
		compensated Executive Officers	
		and Directors as a group.	
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		· · · · · · · · · · · · · · · · · · ·	
Pursuant to the requirements of the			
Securities Regulation Code, the issued			
has duly caused this report to be signed			
on its behalf by the undersigned hereunto			
duly authorized			
Signature and Title	13	Incomplete, comply with the	Done. Please see
		highlighted portion	page 14 of the
,		-	Definitive 20-IS
MANKACIEMIENII REEPORII			

Audited Financial Statements and		Submit:	Done. Please see
Interim Financial Statements		(i) 2011 Audited Consolidated	Annex "A" and "B-
		Financial Statements;	1"
		(ii) Statement of Management's	
		Responsibility signed under	
		oath by the following:	
		Chairman of the Board,	
		Chief Executive Officer and	
A11 .1 .1 .1 .1 .1 .1		Chief Financial Officer.	
All other registrants shall provide the			
following information:  For both full fiscal years and interim	26	Incomplete Comply with the	Done. Please see
periods, disclose the company's and its	20	Incomplete, Comply with the highlighted portion	page 28 of the
majority owned subsidiaries top five (5)		Ingingited portion	Definitive 20-IS.
key performance indicators. It shall		•	Definitive 20-15.
include a discussion of the manner by			
which the company calculates or			
identifies the indicator presented on a			
comparable basis			
(4) Key Variable and Other Qualitative			
and Quantitative Factors			
If Material:			
(i) Any known Trends, Events or			Done. Please see
Uncertainties (Material Impact on			page 35 of the
Liquidity)			Definitive 20-IS.
(ii) Events that will trigger direct or			
contingent financial obligation that			
is material to the company,		Disclose, if any	
including any default or			
acceleration of an obligation			
(iii) All material off-balance sheet			
transactions, arrangements,	!		
obligation (including contingent			
obligations), and other relationship		•	}
of the company with unconsolidated			
entities or other persons created			
during the reporting period.			
(iv) Description of any material			
commitments for capital			
expenditures, general purpose of			
such commitments, expected sources			
of funds for such expenditures			
(v) Any known Trends, Events or Uncertainties (Material Impact on			
Sale)			
(vi) Any Significant Elements of Income			
or Loss (from continuing operations)			
(vii) Causes for Any material Changes			
from Period to Period of FS which			
shall include vertical and horizontal			
analyses of any material item (5%)			
The term "material in this section shall			
refer to changes or items amounting to at			
least five percent (5%) of the relevant			
accounts or such lower amount the			
registrant deems material on the basis of			

-41 C -4			
other factor		-	
(viii) Seasonal Aspects that has material			
Effect on the FS			
(b) Interim Periods: Comparable		Submit 1st Quarter Report for	Done. Please see
discussion to assess material changes		the period ended March 31,	Annex "D"
(last, fiscal year and comparable interim		2013.	
period in the preceding year). Disclose			
the required information under			
subparagraph (2)(a)(1) to (viii) above.			
Market Price and Dividends required			
by Part V of Annex C			
(1) Market Information			
(b) If the information called for by		Incomplete. Comply with the	Done. Please see
paragraph (A) of this Part is being		highlighted portion	page 25 of the
presented, the document shall also		inginighted portion	Definitive-IS.
include the price information as of the			Definitive-18.
latest practicable trading date, and in the			
case of securities to be issued in			J
connection with an acquisition, business			
			,
combination or other reorganization, as			
of the trading date immediately prior to			
the public announcement of such			
transaction.			
(2) 77 11			
(2) Holders			
(a) (i) Approximate Number of	24	Incomplete. Comply with the	Done. Please see
Holders of Each Class of Common		highlighted portion	page 25 of
Security as of the latest practicable			Definitive 20-IS.
date but in no event more than 90 days			
prior to filling of report			
(ii) Names of the Top Twenty (20)	24	Incomplete. Comply with the	Done. Please see
Shareholders of Each Class		highlighted portion	page 25 of the
			Definitive 20-IS.
(3) Dividends			
(b) Description of any Restriction that	25	Disclose, if any	No Restrictions.
Limits the Payment of Dividend on		, ,	
Common Shares			
AUDITED FINANCIAL STATEMENTS	3		
Statement of Management Responsibility		,	
on the Financial Statements as prescribed			
by SRC Rule 68, As amended) (Financial			
Reporting Bulletin No. 1)			
The Management of (name of reporting		Statement of Management's	Done. Please see
		Responsibility signed under	Annex "A"
company) is responsible for the		oath by the following: Chairman	AULION A
preparation and fair presentation of the		of the Board Chief Executive	
financial statements for the year (s)			
ended (date), including the additional		Officer and Chief Financial	
components attached therein, in		Officer, pursuant to Bulleting	
accordance with the prescribed financial		No. 001 dated February 16,	
reporting framework indicated therein.		2012, SRC Rule 68, As	·
This responsibility includes designing		amended	
and the implementing internal control			
relevant to the preparation and fair			
presentation of financial statements that			
are free from material misstatement,			
whether due to fraud or error, selecting			

	and applying appropriate accounting			
	policies and making accounting			
	estimates that are reasonable in the			
	circumstances. The Board of Directors			·
	or Trustees reviews and approves the			
	financial statements and submit the same			
	to the stockholders or members. (Name			
	of Auditing Firm), 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 or			
	members, has expressed opinion on the			
	fairness of presentation upon completion			
	of such examination, Signature			
	(Printed Name of the (1) Chairman of			
	the Board (2) Chief Executive Officer (3)			
	Chief Financial Officer)			
	ADDITIONAL COMPONENTS OF FIN	JANCIAT	SATTEMENTS	
	(SRC Rule 68, as amended October 201		DILI INIINIII I V	
	Legal matter paragraph in the Auditor's	.,	Not submitted	Done. Please see
	Report on each components:		Not submitted	Annex "B-2"
				Timox 22
	Reconciliation of Retained Earnings			
	Available for Dividend Declaration			
	(part1,4 (c))			
	Tabular schedule of standard and			
	interpretations as of reporting date (par			
Į	1,4 (J))			
	A reconciliation of Retained Earnings			
	available for dividend declaration which			
	shall present the prescribed adjustments			
ļ	as indicated in Annex 68-C			
	A map of the conglomerate or group of			
	companies showing the relationships			
	between and among the company and its			
	ultimate parent company, middle parent,			
	subsidiaries or co-subsidiaries, and			
	associates, and associates Par 4 (h))			
	ADDITIONAL DISCLOSURE			
. ]	REQUIREMENTS			
	Additional disclosure set forth in Annex			
	68-D shall appear on the face of the			
	balance sheets or related notes and in the			
	Statement of comprehensive income or			
	related notes filed and on the face of the			
	financial statements			gri 1 : 1
	Disclosures of receivable/payables with		Not submitted	The related party
	related parties eliminated during			transactions
	consolidation (Annex 68-D)			eliminated during
				consolidation are
				as follows:
				10 1 Tm 2012
				12.1 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. 12.2 The Company waived the collection of rental for the lease of office of Yehey! of the years 2011 and 2012. 12.3 In 2012, 2011 and 2010, the Parent Company paid certain expenses of e-Business, Yehey!, PEMI and iCurrencies, which were later billed for reimbursement.

We trust that the above sufficiently addressed your concerns.

Thank you very much.

Very truly yours,

KATRINA C. MULI

For the Hirm

Encl.: a/s

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# NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of Vantage Equities, Inc. on Saturday, 3 August 2013 at 10:15 in the morning at the Rigodon Ballroom, The Peninsula Manila, Ayala Avenue corner Makati Avenue, Makati City to consider the following:

#### **AGENDA**

- Call to Order
- 2. Proof of Notice of Meeting
- Certification of Quorum
- Approval of the Minutes of the Previous Meeting of Stockholders
- 5. Approval of 2012 Operations and Results
- 6. Ratification of all Acts of the Board of Directors and Officers
- Election of Directors
- 8. Appointment of External Auditors
- 9. Other Matters
- Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on 3 July 2013 has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 9:30 a.m. and end promptly at 10:00 a.m.. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation at Unit 2703-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines. All proxies should be received by the Corporation at least ten (10) days before the meeting, or on or before 24 July 2013. Proxies submitted shall be validated by a Committee of Inspectors on 25 July 2013 at 10:00 a.m. at Unit 2703-B East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized representative.

To avoid inconvenience in registering your attendance at the meeting, you or your proxies are requested to bring identification paper(s) containing a photograph and signature (e.g. passport, driver's license, or credit card).

City of Pasig, Metro Manila, 8 July 2013. -

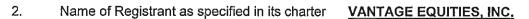
A. Bayani K. Tan Corporate Secretary

# SECURITIES AND EXCHANGE COMMISSION SEC FORM 20-IS

OF THE SECURITIES REGULATION CODE

# INFORMATION STATEMENT PURSUANT TO SECTION 20

Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement



3. Province, country or other jurisdiction of incorporation or organization: Metro Manila, Philippines

4. SEC Identification Number: AS092-07059

5. BIR Tax Identification Number: 002-010-620

6. Address of Principal Office: <u>2703-B East Tower, Philippine Stock Exchange Centre</u>

Ortigas Center, Pasig City 1605

7. Registrant's telephone number, including area code: (02) 689-8090 to 689-8093

8. Date, time, and place of the meeting of secu5rity holders:

Date :

3 August 2013

Time :

10:15 in the morning

Venue:

Rigodon Ballroom, The Peninsula Manila,

(Corner of Ayala and Makati Avenue, Makati City)

9. Approximate date on which the Information Statement is first to be sent or given to security holders: 15 July 2013

10. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class

Number of Shares of Common Stock Outstanding (net of Treasury Shares) as of 31 May 2013

Common Stock ₽1.00 par value

2,100,535,133 Excluding Treasury Shares of 134,855,500

11. Are any or all of Registrant's securities listed on a Stock Exchange?

Yes['] No[]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The Philippine Stock Exchange, Inc. Common Stocks

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

## **GENERAL INFORMATION**

# Date, Time and Place of the Meeting of the Security Holders

Date:

3 August 2013

Time:

10:15 in the morning

Place:

Rigodon Ballroom, The Peninsula Manila

Corner of Ayala and Makati Avenue, Makati City

Complete address of the principal office of the Registrant:

Unit 2703-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas

Center, Pasig City, Philippines, 1605

The approximate date on which the Information Statement will be sent or given to security holders is on 15 July 2013.

## Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting of Vantage Equities, Inc. (hereinafter, the 'Company') on 3 August 2013 are not among the instances enumerated in Sections 42 and 81 of the Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- 3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and
- 4. In case of merger or consolidation.

Under Section 82 of the Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. However, failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made, provided that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover

such payment, and that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

## Interest of Certain Person in or Opposition to Matters to be Acted Upon

No person who has been a director, officer or nominee for election as Director of the Company, or an associate of such persons, have a substantial interest, direct or indirect, in any matter to be acted upon other than the election of Directors for the year 2013-2014.

No Director of the Company has informed the latter in writing that he intends to oppose any action to be taken by the Company at the meeting.

# CONTROL AND COMPENSATION INFORMATION

#### Voting Securities and Principal Holders Thereof

- (a) As of 31 May 2013, the Company has **2,100,535,133** outstanding common shares. Out of the 2,100,535,133 outstanding common shares 1,883,185 are owned by foreigners. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.
- (b) The record date for purposes of determining stockholders entitled to vote in the Annual Stockholders' Meeting to be held on **3 August 2013** is set on **3 July 2013**.
- (c) In the forthcoming Annual Stockholders' Meeting, stockholders shall be entitled to elect nine (9) members of the Board of Directors. Each stockholder may vote such number of shares for as many as nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine (9).
- d) Security Ownership of Certain Beneficial Owners and Management

#### (1) Security Ownership of Certain Record and Beneficial Owners

Security Ownership of Certain Record and Beneficial Owners

As of 31 May 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 following table:

Title of Class	Name and Address of Record/Beneficia I Owner	Relationshi p with the Company	Record (r) Beneficial (b) Owner	Citizenshi · p	Number of Shares	Percen t of Class
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,099,070,20 6	99.93%

(\*)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	with	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wealth Securities, Inc. 21/F Easl Tower, PSE Centre, Exchange Road, OrtigasCenter, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,833.255,00 8 R	Filipino	87.34%

<sup>&</sup>quot;The shares shall be voted by the person these shareholders shall duly authorize for the purpose. No single benefit a low er 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 a	Number of Shares	% Held
Common	Creative Wisdom, Inc. 21/F East Tower, PSE Centre, Exchange Road, OrtigasCenter, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	884.350,718	48 245.

Wealth Securities, Inc. - is a broker and dealer in securities. It holds the shares of the Fund in behalf of their clearly. The Fund has no information as to the identities of the beneficial owners of the securities hold by Wealth Securities and Nonetheless, shares of capital stock of Wealth Securities, Inc. are owned by the following persons who have the power to vote or dispose or direct the voting or disposition of the shares of the company: Arsenio Go Sy, Bian Co Sy, Rub, Sy Tan, Moises Ong Tan and Valentino Co Sy.

## (2) Security Ownership of Management

The following table shows the shares owned on record by the directors and executive officers of the Company as of 31 May 2013:

Title of		No. of		
Class	Name ,	Shares"	Citizenship	Percentage
Common	WILSON'L. SY	184,150,000	Filipino	8.77%
Common	VALENTINO SY	62,957,812	Filipino	3.00%
Common	WILLY OCIER	6,520,500	Filipino	0.31%
Common	ANTONIO R. SAMSON	62,500	Filipino	0.00%
Common	ROBERTO Z. LORAYES	25,000	Filipino	0.00%
Common ·	IGNACIO B. GIMENEZ	12,500	Filipino	0.00%
Common	JOSEPH LIAO ONG	12,500	Filipino	0.00%
Common	EDMUNDO MARCO P. BUNYI, JR.	6,262,500	Filipino	0.30%
Common	GREGORIO U. KILAYKO	10,000	Filipino	0.00%
Common	A. BAYANI K. TAN	1,437	Filipino	0.60%
	TOTAL	260,014,749		12.38%

# (3) Voting Trust Holders of Five Percent (5%) or More

The Company is not aware of any party which holds any voting trust or any similar agreement for five percent (5%) or more of the Company's voting securities.

## (4) Changes in Control

The Company is not aware of any arrangement that may result in a change in control of the Company. There were also no changes in control of the Company since the beginning of the last fiscal year.

#### **Directors and Executive Officers**

# **Material Pending Legal Proceedings**

The Company is not aware of any pending legal proceedings involving the members of its Board of Directors and its Executive Officers material to an evaluation of their ability and integrity, except as provided in the subsequent portion on Involvement in Certain Legal Proceedings.

# Directors, Executive Officers, Promoters, and Control Persons

Office	Period Served	Name	Citizenship	Age
Director	2003 to present	Ignacio B. Gimenez	Filipino	68
Director	2002 to present	Valentino L. Sy	Filipino	57
Chairman & CEO	2005 to present			
Director President & COO	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	48
Director	2003 to present	Joseph L. Ong	Filipino	59
Treasurer	2005 to present			
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

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.

All present members of the Board of Directors were elected during the annual stockholders' meeting last year. The term of the current members of the Board shall hold office until the next stockholders' meeting, or on 3 August 2013.

The following are brief write-ups for each 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

Mr. Tan has been the Corporate Secretary of the Corporation since January 1993. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), First Abacus Financial Holdings Corporation (May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc.

(March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993present), Tagaytay Highlands international Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), TKC Steel Corporation (February 2007present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc. since December 2006. He is also a Director, Corporate Secretary, or both for the following private companies: Destiny LendFund, Inc. (December 2005-present), Discovery World, Inc. (March 2013 as Director, July 2003 -present as Corporate Secretary), Monte Oro Resources & Energy, Inc. (March 2005-present) Palm Concepcion Power Corporation (January 2013-present), and Pharex HealthCorp. (March 2012-present), among others. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012present) and Managing Trustee of SCTan Foundation, Inc. (1986-present). He is currently the legal counsel of Xavier School, Inc.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

#### **Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Revised Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws. The Nomination Committee constituted by the Company's Board of Directors, indorsed the respective nominations given in favor of Mr. Samson (by Mr. A. Bayani K. Tan) and Mr. Kilayko (by Mr. Edmundo Marco P. Bunyi, Jr.).

The Nomination Committee, composed of Mr. Lorayes (Chairman), Mr. Kilayko and Mr. Ong, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Amended Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above, are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

#### Significant Employees

The Company has no significant employees.

## Family Relationships Among Directors

Messrs. Valentino Sy and Wilson Sy are brothers.

## 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 up to the latest date:

- (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.

#### **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 Corporation's Related Party Transactions with its subsidiaries:

12.1 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.

- 12.2 The Company waived the collection of rental for the lease of office of Yehey! of the years 2011 and 2012.
- 12.3 In 2012, 2011 and 2010, the Parent Company paid certain expenses of e-Business, Yehey!, PEMI and iCurrencies, which were later billed for reimbursement.

The following are the other related party transactions, as correlated with the Consolidated Financial Statements:

12.4 In 2012, Fifth Agency Unified Services Inc. (FAUSI), had reimbursable expenses of P346,544.

12.5 In 2012, Media Contacts Inc. (MCI), had cash advance settlement of P1,456,500 and commission income of P117,039.

## Disagreement with Director

None of the Directors have resigned or have declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

#### Compensation of Directors and Executive Officers

## **Summary Compensation Table (Annual 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 \$\mathbb{P}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.

#### **Summary Compensation Table (Annual Compensation)**

Name and Principal Position	Year	Annual Compensation
Valentino C. Sy		
Chairman & CEO		
Edmundo P. Bunyi, Jr.		
President & COO	endin kalangan jangan Habiberah di Sebagai Lend	
Joseph L. Ong		
Treasurer		

Most Highly Compensated	2016 (Estimete)	\s_156,925 15
Executive Officers	2012	6,186,923 13
	2011	(a, \$658, 8151, 778
Directors as a group (unnamed)	201(13 ((Estimete))	11.6657,1346,84
	20012	1 4 36 529 66
	20111	1.31917 (6246).9(0)

<sup>\*</sup> The CEO do not receive any form of compensation

# Independent Public Accountants

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. The Chairman of the Company's Audit Committee is Mr. Gregorio U. Kilayko, an independent director. The two other members of the Committee are Mr. Antonio R. Samson and Mr. Edmundo P. Bunyi

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company ("SGV & Co.") with address at SGV Building, 6760 Ayala Avenue, Makati City. The Corporation has retained the services of SGV & Co. for several years now. There have been no changes in and any disagreements with said accountants in the last five (5) years on any accounting and financial disclosures.

However, in the interest of greater transparency and in accordance with good corporate governance practice as mandated by SRC Rule 68(3)(b)(iv), as amended, the Board of Directors has decided to appoint a different external auditor for 2013. The Board has solicited proposals from the country's biggest auditing firms but it is still in the process of evaluating them. The Board will request that it be authorized by the stockholders to appoint the Corporation's external auditor for 2013.

# Changes in and Disagreements with Accountants on Accounting or 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.

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee.

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 fillings 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.

It is the policy of the Company that any draft audit report must first be reviewed by the Audit Committee (the members of said Committee being composed of Mr. Gregorio U. Kilayko (Chairman), Mr. Antonio R. Samson and Mr. Edmundo P. Bunyi (Members) prior to said report being endorsed to the Board of Directors for approval.

## Compensation Plans

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

#### OTHER MATTERS

# Action with Respect to Reports

The Company will seek the stockholders' approval of the Minutes of the 2012 Stockholders' Meeting during which the following were taken up: (1) Call to Order, (2) Certification of Notice and Quorum, (3) Approval of the Minutes of the Previous Stockholders' Meeting, (4) Approval of Audited Financial Statements and Annual Report, (5) Ratification of all acts and resolutions of the Board of Directors, Officers and Management of the Corporation, (6) Election of Directors, (7) Appointment of SGV & Co. as External Auditors, and (8) Adjournment.

Management reports which summarize the acts of management for the year 2012, are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereof.

#### Acts of the Board of Directors

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, such as, but not limited to: the opening of bank accounts and designation of bank signatories; the financing and investment activities of the Company; and the appointments in compliance with corporate governance policies.

## **Voting Procedures**

- a. Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.
- b. Three inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.

- c. Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.
- d. The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce*.
- e. Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with. If actual counting of votes cannot be dispensed with, the appointed inspectors mentioned in item (b), or in their absence, the auditors of the Company present during the meeting, are authorized to count the votes cast.

Items 9, 10, 11, 12, 13, 14, 16, 17, and 18 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

#### **SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. This report is signed in the City of Pasig on 12 June 2013.

VANTAGE EQUITIES, INC.

Ву:

Valentino C. S Chairman and CEO Joseph L. Ong Treasurer

# **VANTAGE EQUITIES, INC.**

# **BUSINESS AND GENERAL INFORMATION**

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 2011, 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, 2,235,390,633 shares are outstanding and 14,609,367 shares are unsubscribed.

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**

#### 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 P 2.9 billion in cash and a P1.6 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 P2.9 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:

# e-Business Services, Inc. ("eBiz") - 100% ownership

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 subagent 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 P50.0 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 online marketing solutions provider in the country. The company currently counts several established corporation in its roster of customers.

To support its growth, Vantage infused P250 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 P32 million. PEMI is an asset-management company with about P3 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

Vantage Equities Inc. is a publicly-listed holding company whose main focus is to make strategic investments in companies that are in the financial services industry. Under the Philippine Stock Exchange (PSE) there are about seventeen companies that are classified as holding firms with about \$\textstyre{2585}\$-billion in float-adjusted market capitalization. Most of the holding companies are owned by well-known families in the Philippines which have diversified investments ranging from properties, banking, food, power and retail. Most of the firms in this industry can be labeled as mature and has a long track record of existence as such there are not many changes in terms of additions in this industry. But the most recent addition to the holding firm industry is the public listing of GT Capital of the Ty family of Metrobank.

Although the Corporation is not listed in this sector of the PSE, there are similar companies that we would consider its competitors and we think would be appropriate to do a comparison. Two main aspects where firms in this industry compete on are pricing and services. Firms offering more competitive pricing coupled with excellent customer service normally increase the popularity of their

brand and thus their appeal to retail and institutional clients. In addition companies with complementary businesses often win clients by packaging themselves as a one-stop shop service provider.

The closest competitor of Vantage equities that have financial services business under their company is Aboitiz Equity Ventures (AEV) which has UnionBank and CitiSavings under its financial segment. AEV has a market capitalization of about P116-billion as of June 7, 2012 and has three business segments namely power, financial services and food. It terms of size and market capitalization, Vantage Equities pales in comparison but the main advantage of Vantage Equities is its combination of two financial services business namely Philequity Management, Inc. and e-Business Services, Inc. with Philequity Management, Inc. having one of the best performing funds this together with the extensive network of e-Business Services, Inc. branches will enable Vantage Equities, Inc. to effectively market its products and services to its targeted customers.

#### 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 \$\pi\$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.

<u>Digital Agencies</u> 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 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:

<u>Credit Risk</u> 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.

<u>Liquidity Risk</u> 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.

<u>Market Risk</u> 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).

#### **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	14 440 225	40.050.050
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.

# **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 - 66.97% 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 P96,706.14 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.

# 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. 12822,

captioned "People of the Philippines vs.NorielRequiso"; 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.

#### OPERATIONAL AND FINANCIAL PERFORMANCE

#### Market for Registrant's Common Equity and Related Stockholder Matters

Stock Prices (as adjusted)

	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 May 2013, there were 656 shareholders of the 2,100,535,133 common shares issued and outstanding. As of the latest practicable trading date, 10 July 2013, the Registrant's shares were traded at the price of P2.32 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 (P300,000,000,000) 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 May 31, 2013:

14	ennis o ខ្លាំងខ្លាំងក្នុងកំពាល Distribution និញ្ចូវ Ave		% TO TOTAL
	RECORD OWNER	NO. OF SHARES	ISSUED SHARES
1	PCD NOMINEE CORP.	2,099,070,206.00	93.90%
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	0.03%
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)	1,883,185.00	0.08%
19	JOHN PETER YU &/OR JUAN YU	800,000.00	0.04%
20	AVESCO MARKETING CORPORATION	718,750.00	0.03%

#### Dividends

The Company has not declared any cash dividends for the past two years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

# RESULTS OF OPERATIONS FOR THE FIRST QUARTER OF 2013 COMPARED TO 31 DECEMBER 2011 AND 2012

	Unaudited	Aud	ited	
In Millions	March 31, 2013	December 31, 2012	December 31, 2011	
Balance Sheet				
Assets	8,628	7,285	5,842	
Liabilities	1,088	1,193	309	
Stockholders' Equity	7,540	6,632	5,533	
Book Value per Share	3.37	2.97	2.63	
Income Statement				
Revenues	469	1,059	1,053	
Expenses	118	524	512	
Other Income / (Charges)	(13)	35	(11) ·	
Net Income	338	570	530	
Earnings per Share	0.16	0.26	0.25	

The Company posted a consolidated net income of Php338.0 million as of March 31, 2013. It went up by 260% compared to same period last year of Php102 million. On a per share basis, the company earned 0.16 centavos as of March 31, 2013 compared to .26 centavos as of December 31, 2012.

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.

The Philippine stock market rallied 17.80 percent during the first quarter on the back of optimism about the local economy even as Fitch Ratings gave the Philippines its first ever investment grade rating. IN addition the Bangko Sentral ng Pilipinas (BSP) continues to cut rates on its SDA causing investors to look elsewhere for yield. This has caused flows into mutual funds to significantly increase and BSP has hinted several cuts are to be expected in the future.

On the fixed income side, yields were mostly on a downtrend 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 following summarizes the operating results of the Company's subsidiaries:

#### eBusiness Services, Inc. ("eBiz")

eBiz continue to achieve record money transfer volume. However, despite transaction growth, money transfer revenues still fell 1.5% YoY to Php1.6 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 Php25.5 million in first quarter of 2013 from Php11.7 million in of the same period last year. Meanwhile, as a result of the Company's continued efforts to rationalize its costs, general and administrative expenses fell by 3% YoY to Php71.7 million from Php74.2 million in March 2012. After provisions and taxes, eBiz posted a net income of Php19.7 million in 2013, up 19% from Php10.2 million in 2012.

#### Yehey! Corporation ("Yehey")

Total Revenues of the Company decreased by P 4.75 million from P9.59 million to last year P4.84 million of 1st quarter of 2013 and 2012 respectively. This is due to substantial decrease in media sales, web development and digital PR.

However, Total Cost and Expenses decreased by approximately P5.31 million due to decrease in Salaries & Wages and Other Costs like Depreciation, Subscription and Writers' Fee, among others.

As such, Net Loss of the Company is P.5 million in March 2013 from P2.2 million in 2012.

## Philequity Management, Inc. ("PEMI")

Net revenues as of March 31, 2013 climbed to Php36.5 million from Php19.4 million last year due to increase in assets under management.

Expenses as of the 1st quarter of the year were 53% lower vs. last year. YTD net profit increased by 198% or Php 30.8 million from Php10.3 million last year.

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

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

#### **Key Performance Indicators**

The Company sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators.

	March 31, 2013	March 31, 2012
Current Ratio <sup>1</sup>	247.23%	614.55%
Assets to Equity <sup>2</sup>	114.43%	104.34%
Liabilities to Equity <sup>3</sup>	14.43%	4.34%
Return on Average Assets <sup>4</sup>	1.11%	1.52%
Return on Average Equity <sup>5</sup>	1.26%	1.59%

The manner by which the Company calculates the above performance indicators for is as follows:

	Formula
1	Current Assets / Current Liabilities
2	Total Assets / Total Equity
3	Total Liabilities / Total Equity
4	Net Income / Average Total Assets
5	Net Income / Average Total Equity

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

Income Statement items - three month period ending 31-March-2013 versus 31-March-2012

77.57% decrease in internet sales and services

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

98.26% increase in money changing and foreign exchange Mainly due to higher value of forex rates.

20.61% increase in interest income
Mainly due to additional fixed income securities.

87.5% increase in mutual fund income Mainly due to increase in assets under administration.

452.25% increase in trading gains(loss)
Mainly due to high market price of investments.

845% increase in interest and bank charges
Primarily due to increase US dollar denominated loans from banks.

Balance Sheet items - March 31, 2013 versus end 2012

63% increase in receivables

Mainly due to advances for a new potential fund investment company.

99% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL) Primarily due to disposals of FVPL.

21% increase in available-for-sale securities Largely due to increase in equities and mutual fund investments.

53% 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.

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) Leverage Ratio (Total	2.31	3.89	5.29
Debt/Total Equity) Comprehensive Return on	0.18	0.06	0.09
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.

### The Company and subsidiaries:

- a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
- b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period; and
- d) Have not breached any loans, leases or other indebtedness or financing agreement.

### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

### DIRECTORS AND EXECUTIVE DIRECTORS

Please refer to the discussion on "Directors and Executive Officers" in the main body of the Information Statement.

### 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.

The Company is unaware of any non-compliance with or deviation from its Amended Manual of Corporate Governance during the previous year. The Company will continue to monitor compliance with the Revised Rules on Corporate Governance, and shall remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value to its shareholders.

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

A. BAYANI K. TAN
THE CORPORATE SECRETARY
VANTAGE EQUITIES, INC.
2704 EASTTOWER
PHILIPPINE STOCK EXCHANGE CENTRE
EXCHANGE ROAD, ORTIGASCENTER
PASIGCITY, METRO MANILA, PHILIPPINES

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# 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 COSY

Chairman

CTC No.: 16283539

February 21, 2013/Pasis City

TIN: 122-335-536

EDMUNDO P. BUNYI, JR.

President

CTC No.: 5111250

January 18, 2013/Mandaluyong City-

TIN: 107-184-956

JOSEPH L. ONG

Treasurer

CTC No.: 21824976

January 02, 2013/San Juan City

TIN: 108-789-427

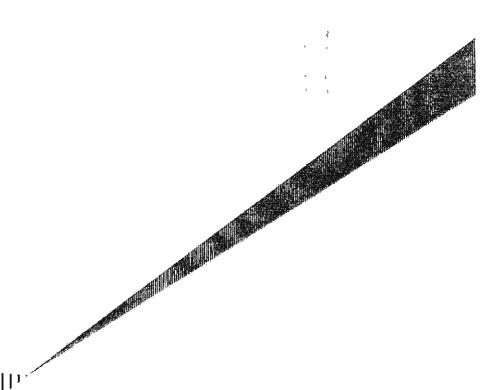
SUBSCRIBED AND SWORN to me before this exhibiting to me their Community Tax Certificates.

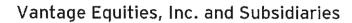
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Page No. 19 Book No. 10 Series of 2013 ATTY. TOMAS F. DULAY, JR |
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TUNE 410-225-016
MCLE# 600838
rg2 Legaspl St., Proj. 4, Q.C.

ANNEX "8-1"





Consolidated Financial Statements December 31, 2012 and 2011 and for the Years Ended December 31, 2012, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.





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

### INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors Vantage Equities Inc.

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.



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### **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

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	<b>₽</b> 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	308,572,00
(Forward)		

	D	December 31	
	2012	2011	
Equity			
Equity attributable to equity holders of the Parent Company:			
Capital stock (Note 23)	<b>₽2,235,390,633</b>	₱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	

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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 <b>,</b> 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	<b>₽</b> 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

Year:	Ended December	31
2012	2011	2010
₽570,092,648	₽529,823,771	<b>₽</b> 716,622,260
524,888,488	138,207,325	176,700,309
₽1,094, <u>9</u> 81,136	₱668,031,096	₽893,322,569
₽1,074,204,105 20,777,031	₱652,912,882 15,118,214	₱890,347,987 2,974,582
₽1,094,981,136	₱668,031,096	₽893,322,569
	2012 ₱570,092,648 524,888,488 ₱1,094,981,136 ₱1,074,204,105 20,777,031	₱570,092,648       ₱529,823,771         524,888,488       138,207,325         ₱1,094,981,136       ₱668,031,096         ₱1,074,204,105       ₱652,912,882         20,777,031       15,118,214

See accompanying Notes to Consolidated Financial Statements

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

		ttributable to Eq	uity Holders of the	Attributable to Equity Holders of the Parent Company			
		Cumulative Net Hurealized					
		Gain (Loss) on					
		Change					
		in Fair Value of					
		Available-for-					
		Sale					
	Capital Stock	Investments	Retained	Retained Treasury Stock		Non-controlling	
	(Note 23)	(Note 10)	Earnings	(Note 23)	Total	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	<b>P5,533,367,970</b>
Additional non-controlling interests in subsidiaries (Note 1)	ı	1	1	ı	1	3,905,591	3,905,591
Total comprehensive income	1	524,888,488	549,315,617	1	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	P420,177,574	¥2,283,472,084	(₱188,520,838)	(₱188,520,838) ₱4,750,519,453	₱114,817,421	¥4,865,336,874
Total comprehensive income	1	138,207,325	514,705,557	1	652,912,882	15,118,214	668,031,096
Balance at December 31, 2011	₱2,235,390,633	₱558,384,899	P2,798,177,641	(₱188,520,838)	₱5,403,432,335	₱129,935,635	₱5,533,367,970
Balance at December 31, 2009	₱2,235,390,633	P243,477,265	P1,569,824,406	(₱35,148,836)	(₱35,148,836) ₱4,013,543,468	₱111,842,839	₽4,125,386,307
Total comprehensive income	1	176,700,309	713,647,678	ı	890,347,987	2,974,582	893,322,569
Acquisition of treasury stock	I į	ı	1	(153,372,002)	(153,372,002)	1	(153,372,002)
Balance at December 31, 2010	P2,235,390,633	₽420,177,574	P420,177,574 P2,283,472,084	(₱188,520,838)	4,750,519,453	₽114,817,421	P4,865,336,874



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

	Years	Ended December 3	1
	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	(-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(**,***,***)	(10,110,021)
(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	,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	21,500,105
(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	10,000,211	2,307,773	1,755,020
(Note 20)	(59,521)	(21,070)	(302,946)
Gain on sale of investment in a joint venture	(55,521)	(21,070)	(302,240)
(Note 12)	(2,718,197)	_	_
Equity in net losses (earnings) of an associate	(2,710,177)		
and joint venture (Note 12)	56,749	(1,149,083)	3,104,763
Reversal of asset retirement obligation	50,717	(1,1 15,005)	5,10-1,705
(Note 20)	_	(4,145,582)	
Operating income before working capital changes	138,336,414	102,950,269	169,454,021
Decrease (increase) in:	130,330,414	102,730,207	102,434,021
Loans and receivables	(76,708,080)	(109,440,407)	44,415,366
Financial assets at fair value through	(70,700,000)	(105,440,407)	44,415,500
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:	(4,103,104)	11,909,004	2,762,203
Accounts payable and other current			
liabilities	0.016.502	72 656 716	1 407 557
	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 (Forward)	(199,212,164)	149,082,335	472,684,172

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 (2,569,793)(1,893,608)(10,688,211)Long-term debt (2,925,490)(3,138,510)Additional non-controlling interest in a subsidiary (Note 1) 3,905,591 (153,372,002)Acquisition of treasury shares (Note 23) 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 778,376,824 485,624,364 540,411,971 CASH AND CASH EQUIVALENTS AT END OF YEAR P1,369,141,777 ₱540,411,971 ₽778,376,824

See accompanying Notes to Consolidated Financial Statements.

### VANTAGE EQUITIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

### Corporate Information

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

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"):

	Place of	Percentage of Ownership	
Name of Subsidiaries	Incorporation	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 \$\mathbb{P}\$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.

### Derecognition of Financial Assets and Liabilities

### Financial assets

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

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

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

### Financial liabilities

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

### Offsetting Financial Instruments

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

### Impairment of Financial Assets

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

### Impairment of financial assets carried at amortized cost

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

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

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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	A = =4
	—	As at
	2012	<u>1</u> January 2012
Increase (decrease) in:		
Consolidated statements of financial position		
Retirement payable	( <del>₹</del> 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.

### Annual Improvements to PFRSs (2009-2011 cycle)

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	2			
	Neither Past	er Past Due but not Impaired			nired			
	Due nor Impaired	91–120 Days	121-150 Days	151-180 180 Days	Over 180 Days	Subtotal	Impaired	Total
Due from:								
Western Union	P456,748,895	₽	P-	₽-	₽_	P456,748,895	₽⊸	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
	P1,058,021,337	P1,172,232	P35,964	₽3,547,499	P	1,062,777,032	P43,157,584	P1,105,934,616

				2011				
	Neither Past		Past Du	e but not Impaire	ed			
	Due nor	91-120	121-150	151-180	Over	'		
	Impaired	Days	Days	180 Days	180 Days	Subtotal	Impaired	Total
Due from:				•				
Western Union	P347,017,898	₽-	₽-	P-	P-	P347,017,898	₽-	P347,017,898
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
	P824,397,007	₽-	₽	₽_	P	P824,397,007	₹49,960,843	P874,357,850

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	₽-	₽_	P1,167,218,612
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:	,,	•	•	1000,107,070
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	. ₽	<b>₽</b> 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					
-		Less than			More than	
	On Demand	3 Months	3 to 12 Months	1 to 5 years	5 years	Total_
Financial Assets						
Cash and cash equivalents	P341,791,632	₱1,027,350,145	₽-	₽	₽	<b>₽1,3</b> 69,141,777
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	11,150,105					,,
employees	2,133,139	_	_	_	_	2,133,139
Others	6,639,172		_	_	_	6,639,172
AFS Investments	0,033,172	_				0,000,17
Ouoted:						
	1,649,290,287				16,875,000	1,666,165,287
Equity securities	1,049,290,207	_	-	47,894,267	1,307,646,624	1,355,540,891
Government bonds	_	_	_		9,474,997	77,819,199
Corporate bonds	-	_	_	68,344,202	9,474,997	11,013,133
Unquoted:				0= 100 001	FF 445 050	152 424 054
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
20,000	¥3,616,788,143	£1,621,925,008	<b>₽</b> 404,411,165	¥712,403,141	¥2,839,145,461	₽9,194,672,918
	10,010,100,110	2 = 10 = - 17 = - 17 = - 1				
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
110tos pajaolo	P24,695,822	P1,088,556,358	₽34,938,349	P.	₽_	¥1,148,190,529
	F24,033,022	11,000,000,000	104,500,045			-,,,

				2011		
		Less than			More than	
	On Demand	3 Months	3 to 12 Months	1 to 5 years	5 years	Total
Financial Assets		-				
Cash and cash equivalents	P252,712,417	P287,699,554	₽_	₽_	₽-	₱540,411,971
Loans and receivables					_	,,
Due from:		347,017,898	_	_		347,017,898
Western Union		. ,				,01,,020
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		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,,			5 1,000,721
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	P793,244,976	₱200,773,400	P987,787,147	₱2,376,917,594	₽7,048,797,835
Financial Liabilities						
Accounts payable and other						
liabilities						
Due to sub-agents and brokers	P	₱135,273,271	₽-	₽_	₽	P135,273,271
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	₽-	₽-	P262,542,430

### 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	2	2011	
Change in	Effect	Effect	Effect	Effect
Basis Points	on Equity	on Income	on Equity	on Income
Increase by 100	(¥134,711,338)	(¥34,641,332)	(P119,286,481)	(₹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.

	20	012	2011		
	Change in Foreign	Effect on Net	Change in Foreign	Effect on Net	
	Exchange Rate	Income before Tax	Exchange Rate	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	2	2011		
	% Variance on	Effect on	% Variance on	Effect on	
	Equity Price	Equity	Equity Price	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:

		2011		
Carrying Amount	Fair Value	Carrying Amount	Fair Value	
-				
<b>₽1,369,141,777</b>	<b>₽1,369,141,777</b>	<b>₽</b> 540,411,971	₱540,411,971	
1,062,499,686	1,070,068,725	824,397,007	821,982,570	
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	
385,781,634	385,781,634	_	-	
61,575,000	61,575,000	86,827,840	86,827,840	
2,801,400	2,801,400	111,952	111,952	
450,158,034	450,158,034	86,939,792	86,939,792	
	#1,369,141,777 1,062,499,686 20,729,593 2,452,371,056 385,781,634 61,575,000 2,801,400	Amount         Fair Value           ₱1,369,141,777         ₱1,369,141,777           1,062,499,686         1,070,068,725           20,729,593         20,729,593           2,452,371,056         2,459,940,095           385,781,634         385,781,634           61,575,000         61,575,000           2,801,400         2,801,400	Amount         Fair Value         Amount           ₱1,369,141,777         ₱1,369,141,777         ₱540,411,971           1,062,499,686         1,070,068,725         824,397,007           20,729,593         20,729,593         18,656,517           2,452,371,056         2,459,940,095         1,383,465,495           385,781,634         385,781,634         -           61,575,000         61,575,000         86,827,840           2,801,400         2,801,400         111,952	

(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*	<b>₽214,574,194</b>	<b>₽214,574,194</b>	₱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	<b>₽385,781,364</b>	₽_	₱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)	<b>P</b> _	<b>₽</b> 255,000	₽255,000
		2011	
	Level 1	2011 Level 2	Total
Financial Assets	Level 1		Total
Financial assets at FVPL (Note 9)	Level 1		Total
Financial assets at FVPL (Note 9) Corporate bonds	Level 1  P86,627,840		Total  ₽86,627,840
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets		Level 2	
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10)		Level 2	₱86,627,840
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted:		Level 2	₱86,627,840
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities	₱86,627,840 - 1,270,721,653	Level 2	₱86,627,840
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds	₱86,627,840 -	Level 2	₱86,627,840 111,952
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds	₱86,627,840 - 1,270,721,653	Level 2	₱86,627,840 111,952 1,270,721,653
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds Unquoted:	₱86,627,840 - 1,270,721,653 1,535,603,049	Level 2	₱86,627,840 111,952 1,270,721,653 1,535,603,049
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds Unquoted: Corporate bonds	₽86,627,840 - 1,270,721,653 1,535,603,049 55,568,743	Level 2	₱86,627,840 111,952 1,270,721,653 1,535,603,049
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds Unquoted:	₽86,627,840 - 1,270,721,653 1,535,603,049 55,568,743 - 1,143,801,986	Level 2  P_ 111,952  292,950,592 -	₱86,627,840 111,952 1,270,721,653 1,535,603,049 55,568,743 292,950,592
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds Unquoted: Corporate bonds	₽86,627,840 - 1,270,721,653 1,535,603,049 55,568,743	Level 2  P_ 111,952	₱86,627,840 111,952 1,270,721,653 1,535,603,049 55,568,743
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds Unquoted: Corporate bonds Mutual fund (Note 15)	₽86,627,840 - 1,270,721,653 1,535,603,049 55,568,743 - 1,143,801,986	Level 2  P_ 111,952  292,950,592 -	₱86,627,840 111,952 1,270,721,653 1,535,603,049 55,568,743 292,950,592 1,143,801,986
Financial assets at FVPL (Note 9) Corporate bonds Derivative assets Available-for-sale investments (Note 10) Quoted: Equity securities Government bonds Corporate bonds Unquoted: Corporate bonds	₽86,627,840 - 1,270,721,653 1,535,603,049 55,568,743 - 1,143,801,986	Level 2  P_ 111,952  292,950,592 -	₱86,627,840 111,952 1,270,721,653 1,535,603,049 55,568,743 292,950,592 1,143,801,986

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:

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	Remittance	Internet	Mutual Fund		
	Holdings	Services	Services	Management	Eliminations	Consolidated
Earnings information				-		
Revenues	P474,170,224	<b>₽</b> 449,696,491	<b>₽</b> 43,120,287	₽95,645,224	( <del>P</del> 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	Remittance	Internet	Mutual Fund		
	Holdings	Services	Services	Management	Eliminations	Consolidated
Earnings information						
Revenues	£469,143,610	₽462,058,902	<b>P</b> 45,852,448	<b>₽72,169,928</b>	( <del>P</del> 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)
-						
			2	010		
	Investment	Remittance	Internet	Mutual Fund		
	Holdings	Services	Services	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 charge		4,626,125	11,931	_	(3,053,018)	
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 \$\mathbb{P}22.51\$ million, \$\mathbb{P}11.15\$ million and \$\mathbb{P}13.85\$ million in 2012, 2011 and 2010, respectively (see Note 17).

### Loans and receivables

This account consists of:

	2012	2011
Due from:		
Western Union	<b>₽</b> 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
	<b>₽1,062,499,486</b>	₽824,397,007

<sup>\*</sup>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
	<b>₽</b> 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	<b>₽29,511,309</b>	<b>₽50,667</b>	<b>₽1,295,924</b>	<b>₽</b> 7,627,663	<b>₽11,475,280</b>	<b>₽</b> 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	<b>₽</b> 26,942,294	<b>₽</b> 50,667	<b>₽1,295,924</b>	<b>₽580,889</b>	₽14,565,356	₽43,435,130
Specific assessment	<b>₽</b> 26,664,748	₽50,667	₽1,295,924	₽580,889	<b>₽14,565,356</b>	₽43,157,584
Collective assessment	<b>₽</b> 277,546	₽-	₽⊸	₽-	₽-	₽277,546

				20	11	
	Receivable from advertising and web development services	Accrued interest receivable	Advances to officers and employees	Trade receivables	Others	Total
Balance at beginning of	704 400 <b>#</b>	_				
year	₽26,692,736	₽-	<del>₽</del> 321,048	<b>₽</b> 7,627,663	<del>₽</del> 8,932,664	<del>₽</del> 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	2,010,373	30,007	9/4,0/0	_	4,714,729	0,330,043
(Note 20)	_		_	_	(2,172,113)	(2,172,113)
Balance at end of year	₹29,511,309	<b>₽</b> 50,667	<b>₽</b> 1,295,924	<b>₽</b> 7,627,663	₽11,475,280	₽49,960,843
Specific assessment	<del>₽</del> 29,511,309	<b>₽</b> 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 (\$\mathbb{P}61.58 million) and US\$1.90 million (\$\mathbb{P}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 P40.93 to US\$1 and P43.79 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	<b>₽</b> 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	<b>₽1,666,255,287</b>	₱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 (\$\Pextstyle{\Pextstyle{P}}41.05 million and \$\Pextstyle{\Pextstyle{P}}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 (\$\Pextstyle{\Pextstyle{P}}6.16 million and \$\Pextstyle{P}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 \$\mathbb{P}0.03\$ and \$\mathbb{P}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 \$\mathbb{P}955.48\$ million, with unrealized gain of \$\mathbb{P}628.49\$ million, and \$\mathbb{P}904.58\$ million, with unrealized gain of \$\mathbb{P}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	<u> </u>	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	( <del>P</del> 28,000,519)	₱234,782,092
Decrease (increase) in deferred tax			
liability	587,672	166,207,894	(58,081,783)
	<b>₽524,888,488</b>	₱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
	<b>₽</b> 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	<b>₽</b> 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 \$\mathbb{P}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 \$\frac{1}{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):

Year	Statem	Statements of Financial Position			
		Total Noncurrent	Total Current		
	Total Current Assets	Assets	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	,	12,120	2,270
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	<b>P37,756,690</b>	₱130,103,710	P19,194,590	P120,102,700	P9,236,908	₱10,517,702	P326,912,300
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	P15,900,943	₽11,709,535	P9,503,087	P8,339,418	P378,837	₽78,730	P45,910,550

				2011			
	Furniture and Fixtures	Office Improvements	Transportation Equipment	Office Condominium	Server and Network Equipment	Leasehold Improvements	Total
Cost							
Balance at beginning of year	P116,184,291	₱10,517,702	P21,200,636	<b>₽37,756,69</b> 0	P8,534,935	P125,913,426	<b>P</b> 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 Depreciation and amortization (Notes 19	99,053,873	9,878,879	13,000,903	17,295,367	7,192,545	121,987,904	268,409,471
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	P9,326,909	₽116,232	P6,932,993	P18,181,180	P1,013,504	P8,760,841	P44,331,659

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 \$\mathbb{P}\$165.43 million and \$\mathbb{P}\$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)	P16,647,240	₱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	<b>₽10,986,779</b>	₽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
	<b>₽3,220,609</b>	₹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	<u> </u>	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
	<b>₽</b> 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 \$\mathbb{P}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	P18,042,166	₱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
	P25,260,812	₽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 P4.15 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	0	
	Parent					Parent					Parent			
	Сотрапу	Yehey!	Yehey! e-Business	PEMÏ	Total	Company	Yehey	e-Business	PEMI	Total	Сопрапу	Yehey	e-Business	Total
Retirement costs:														
Current service cost	<b>P</b> 241,608	₽61,192	P61,192 P1,294,248	₽173,907	1,770,955	P142,800	F35,824	P903,150	P217,476	P1,299,250	P104,400	P98,623	P851,178	P1,054,201
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)	ı	(229,389)	(1,303,511)	(1,532,900)
Expected return on plan														
assets	•	1	(578,332)	1	(578,332)	ı	1	(481,652)	1	(481,652)	1	ì	(713,558)	(713,558)
	₽286,734	(P9,455)	(F128,633)	₹191,741	<b>P340,387</b>	P184,137	(£95,412)	( <del>P</del> 361,866)	P493,961	P220,820	P163,183	(P104,342)	( <del>P</del> 911,569)	(P852,728)

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

	2012	2011	2010
Cost of services and sales	₱191,741	P400,933	(P758,386)
General and administrative expenses	148,646	(180,113)	(94,342)
	¥340,387	220,820	(P852,728)

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

			2012					2011				2010	0	
	Parent					Parent					Parent			
	Company	Yehey!	Yehey! e-Business	PEMI	Total	Total Company	Yehey!	Yehey! e-Business	PEMI	Total	Total Company	Yehey!	Yehey! e-Business	Total
Present value of retirement														
obligation (PVO)	F1,480,270		P569,896 P6,888,854	₽685,702	P9,624,722	₽1,058,225	P487,608	P5,223,612	P493,961	P7,263,406	P520,090	P418,651	P4,097,523	P5,036,264
Fair value of plan assets	1	1	(13,653,717)	ı	(13,653,717)	1	1	(11,566,635)	1	(11,566,635)	1	1	(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	487,608 (6,343,023)	493,961	493,961 (4,303,229)	P520,090	418,651	418,651 (5,535,508)	(4,596,767)
Unrecognized net actuarial														
gain (loss)	183,213	461,413	461,413 10,755,382	1	11,400,008	318,524	11,400,008 318,524 553,156 10,462,175	10,462,175	i	11,333,855	672,522	717,525	- 11,333,855 672,522 717,525 10,016,526 11,406,573	11,406,573
	P1.663.483	P1.663.483 P1.031,309 P3.990,519	P3,990,519	P685,702	P7.371.013	P1.376.749	P1.040,764	P4,119,152	P493.961	P7.030.626	P1.192,612	PI,136,176	P4,481,018	₱6,809,806



٤,

## Changes in the PVO are as follows:

			2012					2011				2010		
	Parent					Parent					Parent			
		Yehey!	e-Business	PEMI	Total	Company	Yehey!	e-Business	PEMI	Total	Сотрапу	Yehey	e-Business	Total
Balance at beginning of year	P1,058,225	P487,608	P487,608 P 5,223,612		₽7,263,406	P520,090	P418,651	P4,097,523	аL	PS,036,264	F356,907	P293,604	P2,992,023	P3,642,534
Interest cost on benefit obligation		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		61,192	1,294,248		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)		(9,136)	52,354		158,326	309,676	(4,546)	(125,350)	1	179,780		1		
Transitional loss	ı	t	ı		1	**	1	` 1	226,641	226,641	ı	1	1	ı
Balance at end of year	₽1,480,270 ₽£	P569,896 P6,888,854	P6,888,854	P685,702 1	₽9,624,722	P1,058,225	P487,608	P5,223,612	P493,961	₽7,263,406	P520,090	P418,651	P4,097,523	P5,036,264

### Actuarial loss (gain) on PVO follows:

		Total	4	1	d.	
		e-Business	ď	1	nL	
2010		Yehey!	ᆔ	ı	ᆔ	
	Parent	Сопрапу	ᆈ	t	Ŧ	
		Total	(₱1,008,028)	1,187,808	P179,780	
		PEMI	ᆔ	1	ᄺ	
2011		e-Business	(P1,686,631)	1,561,281	(P125,350)	
		Yehey!	P203,935	(208,481)	(P4,546)	
	Parent	Company	P474,668	(164,992)	P309,676	
		Total	(P517,359)	675,685	₽158,326	
		PEMI	(P5,010)	1	(P5,010)	
2012		e-Business	(¥660,614)	(27,865) 712,968 –	¥52,354	
		Yehey!	¥18,729	(27,865)	P (9,136)	
	Parent	Сотряпу	P129,536	(9,418)	₽120,118	
			Experience adjustments	Change in assumptions		

# Movements in the retirement payable are as follows:

			2012					2011		
	Parent					Parent				
	Company	Yehey!	e-Business	PEMI	Total	Company	Yehey	e-Business	PEMI	Total
Balance at beginning of year	₽1,376,749	₽1,040,764	¥4,119,152	P493,961	P7,030,626	P1,192,612	P1,136,176	ı	aL	₹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	P1,031,309	¥3,990,519	₽685,702	₹7,371,013	PI,376,749	P1,040,764		P493,961	P7,030,626



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				Parent				Parent		
	Company	Yehey!	e-Business	PEMI	Company	Yehey!	e-Business	PEMI	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	<b>₽</b> 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 \$\mathbb{P}\$153.37 million thereby increasing the total acquired shares to 134.86 million shares for an aggregate price of \$\mathbb{P}\$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

		Authorized Number
Date of SEC Approval	Type of Shares	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	<u> </u>	5,741,881
	<b>₽153,626,498</b>	₱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	( <del>P</del> 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			
	_	Amount/	Outstanding		
Related Party	Category	Volume	Balance	Nature, terms and conditions	
FAUSI (Associate)	Reimbursable expenses	₽-	₽346,544	On demand, noninterest bearing and	
,	(Other receivables)			unsecured	
MCI (Joint venture)	Due from MCI			Unsecured advances at annual	
,	(Other receivables)		_	interest rate of 4.00%	
	Cash advances	_			
	Settlement	1,456,500			
	Interest income	· · · -		•	
•	Commission income	117,039	-	Pertains to 2.00% commission	

2011 Outstanding Amount/ Related Party Category Nature, terms and conditions Volume Balance FAUSI (Associate) Reimbursable expenses ₱64,859 ₱346,544 On demand, noninterest bearing and (Other receivables) MCI (Joint venture) Due from MCI 1,456,500 Unsecured advances at annual (Other receivables) interest rate of 4.00% Cash advances 1,456,500 Settlement 5,275,764 386,945 Interest income Commission income 166,167 Pertains to 2.00% commission earned from media sales 2010 Amount/ Outstanding Nature, terms and conditions Related Party Category Volume Balance FAUSI (Associate) ₱281,685 Reimbursable expenses ₱9,188 On demand, noninterest bearing (Other receivables) and unsecured MCI (Joint venture) Due from MCI Unsecured advances at annual (Other receivables) 6,732,264 interest rate of 4.00% Cash advances 6,732,264 Settlement Interest income Pertains to 2.00% commission Commission income 83,774 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
	₱12,880,94 <b>3</b>	₽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	<b>₽</b> 0.2450	₽0.3344

On various dates in 2010, the Parent Company acquired a total of 107.99 million shares for P153.37 million thereby increasing the total acquired shares to 134.86 million shares for an aggregate price of P188.52 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.





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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 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 oplition 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 schédülés havé been subjécted to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material fespects, 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

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,

Apřil 11, 2012, válid 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	Content	Page No.
Part 1		
1	Schedule of Retained Earnings Available for Dividend Declaration (Part 1 4C, Annex 68-C)	1
ll	Schedule of all effective standards and interpretations under PFRS (Part 1 4J)	2-5
1(1	Map showing relationships between and among parent, subsidiaries, an associate, and joint venture (Part 1 4H)	6
Part 2		
Α	Financial Assets (Part II 6D, Annex 68-E, A)	7
8	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) (Part II 6D, Annex 68-E, B)	8
С	Amount's Receivable from Related Parties which are eliminated during the consolidation of financial statements (Part II 6D, Annex 68-E, C)	9
Ð	Intangible Assets - Other Assets (Part II 6D, Annex 68-E, D)	10
E	Long-Term Debt (Part II 6D, Annex 68-E, E)	11
F	Indebtedness to Related Parties (included in the consolidated statement of financial position) (Part II 6D, Annex 68-E, F)	12
G	Guarantees of Securities of Other Issuers (Part II 6D, Annex 68-E, G)	13
н	Capital Stock /Part II 6D. Annex 68-E. H)	14

#### 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
Add: Net income actually earned during the year
Net income during the period closed to retained earnings P2,501,784,741 ¥497,547,617

Less: Non-act hal gains
Fair value adjustments (mark-to-market gains)
Retained earnings available for dividend distribution, ending 493,832,669 (3,714,948) P2,995,617,410

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

STAIL BURGER SEARCH		AND STREET, ST	I saudišas cirentorijas en da	ATTENDED TO THE COURT
INTERPRETA	HVANGAL REPORTING SVANDALIDSVAND MONS Of December 31, 2012	Adopteli	Adopted.	Mat Applicable
Statements	for the Preparation and Presentation of Financial Framework Phase A: Objectives and qualitative ics	x		
PFRSs Pract	ice Statement Management Commentary	х		
Philippine F	inancial Reporting Standards			
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			Х
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	х		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			х
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			х
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			х
	Amendments to PFRS 1: Government Loans			х
PFRS 2	Share-based Payment			х
	Amendments to PFRS 2: Vesting Conditions and Cancellations			х
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			Х
PFRS 3 (Revised)	Business Combinations	х		
PFRS 4	Insurance Contracts			х
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			х
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			х
PFRS 6	Exploration for and Evaluation of Mineral Resources			х
PFRS 7	Finançial instruments: Disclosures	х		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	х		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	x		

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

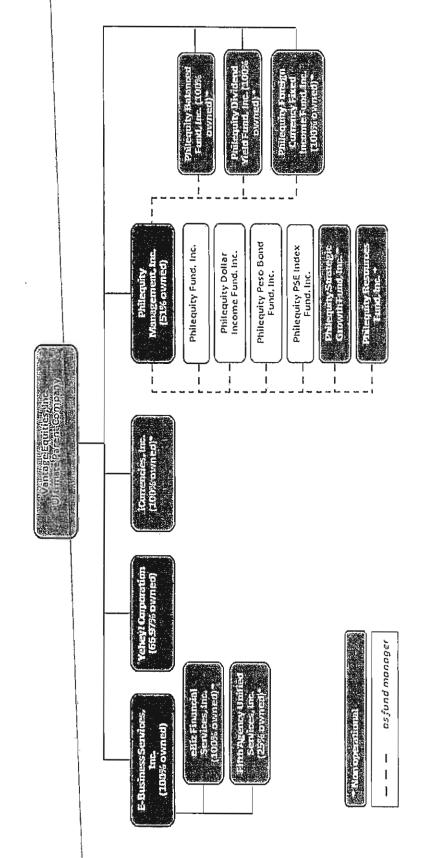
FIERREFURKI WAVERSKEENZII	NAMERAL (113-10) THINGS PAND AND AND AND AND AND AND AND AND AND	/Adopted)	Not	Note
aliediveaso	7December 31, 2012		र राम्लोगस्त	Applicable
PAS 19 (Amended)*	Employee Benefits	AND THE REAL PROPERTY.	X	AND STATE OF THE S
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			х
PAS 21	The Effects of Changes in Foreign Exchange Rates	х		
	Amendment: Net Investment in a Foreign Operation			х
PAS 23 (Revised)	Borrowing Costs			Х
PAS 24 (Revised)	Related Party Disclosures	х		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			Х
PAS 27	Consolidated and Separate Financial Statements	Х		
PAS 27 (Amended)*	Separate Financial Statements		×	
PAS 28	Investments in Associates	х		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures		х	
PAS 29	Financial Reporting in Hyperinflationary Economies			Х
PAS 31	Intereșts in Joint Ventures	х		
PAS 32	Financial Instruments: Disclosure and Presentation	х		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			×
	Amendment to PAS 32: Classification of Rights Issues			х
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	х		
PAS 33	Earnings per Share	х		
PAS 34	Interim Financial Reporting	х		
PAS 36	Impairment of Assets	х		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	х		
PAS 38	Intang ble Assets	×		
PAS 39	Financial Instruments: Recognition and Measurement	х		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	х		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			×
	Amendments to PAS 39: The Fair Value Option	х		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			×

CONTROL SERVICE	MANUMALIAERORITING STANDA ADSTAND	Adopted	Not at	Printed at 1 annual
INTERPRETATI	MANUALINARO (IIIMOSTANDARDSAND) IONS (IDatambar 55, 2012		A CONTRACTOR OF THE PARTY OF TH	Apili <b>c</b> able
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Х		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	х		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	Х		
	Amendment to PAS 39: Eligible Hedged Items	×		
PAS 40	Investment Property			x
PAS 41	Agriculture	,		х
Philippine Int	erpretations			
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			х
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			х
IFRIC 4	Determining Whether an Arrangement Contains a Lease	х		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			х
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			х
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			х
IFRIC 8	Scope of PFRS 2			х
IFRIC 9	Reassessment of Embedded Derivatives	х	1	
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	х		
IFRIC 10	Interim Financial Reporting and Impairment	х		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	Ì		Х
IFRIC 12	Service Concession Arrangements			Х
IFRIC 13	Customer Loyalty Programmes			х
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	х		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	х		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			х
IFRIC 17	Distributions of Non-cash Assets to Owners			х
IFRIC 18	Transfers of Assets from Customers			х
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			х
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			×

INTEDDOE	arinangandaran italiyasian pandaran italiyasi Kalons Bordadandar 31, 2012	Astopidi	<b>经验的证据</b>	Applicable
SIC-7	Introduction of the Euro	areas/serior 1965		X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			Х
StC-12	Consolidation - Special Purpose Entitles			Х
	Amendment to SIC - 12: Scope of SIC 12			X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			х
SIC-15	Operating Leases - Incentives			Х
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			х
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	х		
SIC-29	Service Concession Arrangements: Disclosures.	-		х
SIC-31	Revenue - Barter Transactions Involving Advertising Services	İ		х
SIC-32	Intangible Assets - Web Site Costs			х

<sup>\*</sup> 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



the South the second section is a second 
Vantage Equities, Inc. and Subsidiaries Schedule A.—Financial Assets December 31, 2012

Name of issuing entity and	Number of shares or	Amount shown on the	Valued based on market	Income accrued
association of each issue	principal amount of	balance sheet	quotation at balance sheet	المساعدة الم
	bonds or notes	The state of the s	date	
Loans and receivables:				
	P480,565,787.00	P480,565,787.00	Not applicable	P14,499,537.00
AFS Investments:				
Quoted:				
Government bonds	P1,184,038,000.00	P1,355,540,891.00	P1,355,540,891.00	P39,914,529.00
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	P156,000,000.00	P172,424,074.00	P 172,424,074.00	P9,812,508.00
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	P330,000,000.00	P385,781,364.00	P385,781,364.00	P2,307,000.00
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

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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

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

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

	off (II) Current Non-Balance at end of Current period	е- 256,505 е- 256,505	- 18,356 - 18,356	- 121,004 - 121,004	- 23,453 - 23,453	
	Amounts Written-off (II)					
	Amounts Collected (i)	(P406)	(23,195)	1	(6,058,628)	(100 001)
	Additions	-di	1	61,723	1	1
Balance at	beginning of period	P256,910	41,551	59,281	6,082,081	000 711
	Name of Debtor	E-Business Services, Inc.	Ebiz Financial Services, Inc.	Icurrencies	Yehey! Corporation	Philequity Management, Inc.

 $^{(i)}$  . 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	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	P3,654,985.00	că.	æ	CML 1	<b>.</b>	P3,654,985.00
Software and website costs	3,261,053.00	1	40,444	•	•	3,220,609.00

<sup>(i)</sup> 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.

(4) 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 Amount authorized portion of long-term debt' in related balance sheet Rate sheet sheet (ii) by indenture sheet (iii) by indenture sheet (iii) by indenture sheet (iii) sheet (iii)		
Amount authorized portion of long-term debt' in related balance sheet sheet (ii) by indenture sheet (iii)	Maturity Date	
d Amount authorized portion of long-term debt' in related balance sheet (8)		
d Amount authorized by indenture		
<b>∀</b>	Amount shown under caption "Current portion of long-term debt" in related balance sheet (4)	
Title of issue and type of obligation (1)	Amount authorized by indenture	
	Title of issue and type of obligation	

## None to report

Include in this column each type of obligation authorized.
 This column is to be totailed to correspond to the related balance sheet caption.
 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

December 51, 2012

Balance at beginning of period

Name of Related Parties

Balance at end of period

None to Report

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.

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 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		744000000000000000000000000000000000000		
committee anomates of his	Title of icense of each clace	Total dinount of	Postad ye banwe involute	
מכנתו ולוכים לצחשו שוניבים ובא	יונים כן ייספים כן פשכון כישמם	And head area	of such chatamont is	Materia of great arte (II)
the remann for which it constitute asserted	. Af coverifies or prompood	See allection and	חו אווינון פרפונכוור ופ	וומנחוב מן פחסומוונכנ
		Sutetanding [i]	Flod.	
this statement is filled		Similarian		

## None to Report

financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities (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 which are included in the consolidated balance sheet.

"Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so (ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or guaranteed.

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

(Absolute numbers of shares)

		Number of			**	
Title of Issue <sup>(1)</sup>	Number of shares authorized	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	Directors, officers and employees	Others (III)
Common	2,250,000,000	2,100,535,133	,250,000,000 2,100,535,133 None to Report None to Report	None to Report	253,996,749	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.

#### VANTAGE EQUITIES INC. Key Performance Indicators December 31, 2012

	March 31, 2013	March 31, 2012
Current Ratio <sup>1</sup>	247.23%	614.55%
Assets to Equity <sup>2</sup>	114.43%	104.34%
Liabilities to Equity <sup>3</sup>	14.43%	4.34%
Return on Average Assets⁴	1.11%	1.52%
Return on Average Equity <sup>5</sup>	1.26%	1.59%

- (i) Current Ratio [Current Assest/Current Liabilities]
- (ii) Assets to Equity [Net Income/Total Equity]
- (iii) Liabilities to Equity [Total Liabilities/Total Equity]
- (iv) Return on Average Assets [Net Income/ Average Total Assets]
- (v) Return on Average Equity[Net Income/Average Total Equity]



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#### 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 palendar 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 Rond, Ortigas Center, 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, 2,100,535,133 P1.00 par value (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[]				
	shorter period that the registrant was required to file such reports):				
	shorter period that the registrant was required to file such reports):				

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#### 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 (P1,900,000,000), all of which are in common shares with a par value of P1.00 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 P2,250,000,000.00. 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 (P2,250,000,000.00) divided into 2,250,000,000 common shares with par value of P1.00 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 October 2000, 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, t 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 (#Bank"), its largest single investment at that time. The iBank sale generated P 2.9 billion in cash and a P1.6 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 P2.9 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:

#### e-Business Services, Inc. ("eBiz") - 100% ownership

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 P50.0 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.

#### Phileguity 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 P32 million. PEMI is an asset-management company with about P3 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 subagents 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 P121.8 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 P24.6 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 P207-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 P5.9-billion (as of April 2012) in assets under management.

#### Yelley! Corporation - 66.97% ownership

Yelley! 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.

<u>Digital Agencies</u> 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, podeasting or widget development and more. Digital agencies in the country include BBDO-Proximity, Deploy and Havoe:

#### 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

Havor 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:

75	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:			
AI'S 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	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).

Anticipated No. of Additional No. Of Employees. Executive 2 0 5 Senior Officer ļ 7 19 Manager 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:

<u>Credit Risk</u> 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 origoing 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.

Elouidity 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 eash 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.

<u>Market Risk</u> 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.

#### iCurrer cles, 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 Perent 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 P96,706.14 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. pl";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 atterney'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 rate of 12% per annum from January 22, 2007, attorney's fees of not less than 20% of the claims, P500,000 as dantages 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. Crininal 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 theirault of E-Business' Edsa Market Place. On June 5, 2009, E-Business filed a Motion to Caned 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

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

#### PART IE- 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
Ist 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 P2.70 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 P\$9,415,629. In February 2008, the Parent Company distributed the property dividends declared.

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

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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	SYSMÅRT 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. BRÓWN COMPANY, INC.	3,441,250.00	0.15%
7	LUCIÓ W. YAN &/OR CLARA YAN	3,406,250.00	0.15%
8	OCX DEVELOPMENT CORPORATION	3,200,000.00	0.14%
9	RICAIRDO L. NG	1,624,375.00	0.07%
10	AGAPITO C. BALAGTAS. JR.	1,437,500.00	0.06%
11	APRIĞINIA B. FERNANDEZ	1,437,500.00	0.06%
12	SUZANNE LIM	1,437,500,00	0.06%
13	HARUEY SY	1,437,500.00	0.06%
: 14	CYGNET DEVELOPMENT CORPORATION	1,406,250.00	0.06%
15	JERRÝ 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

Management's Discussion and Analysis of That of Operations						
<b>&gt;</b>	In Millions	2012	2011	2010		
Balance S	ficet	1				
Assets	:	7,825.13	5,841.93	5,301.53		
Liabili	ies	1,192.88	308.57	436.20		
Stockh	dder's Equity	6,632.25	5,533.36	4,865.33		
Income S	tatement					
Revent	ies	1,058.95	1,048.99	1,228.77		
Expens	ės .	482.42	511.78	508.83		
Other l	ncome/(Charges)	(6.44)	(7.39)	(3.32)		
Net Inc	ome	570.09	529.82	716.62		
Earnin	ds per Share	0.26	0.25	0.33		
. Key Perf	ormance Indicators					
Curren	Ratio (Current Assets/Current Liabilities)	2.31	3.89	5.29		
Levera	ge Ratio (Total Debt/Total Equity)	0.18	0.06	0.09		
Comp	chensive Return on Equity	0.17	0.12	0.15		
(Cor	prehensive Income/Total Equity)					
Book	value Per Share	2.97	2.48	2.18		
	1					

#### 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 Cutright 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 autdone, 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 Php40.1 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% decrepse in commission income

Due to reduction in share of fees from Western Union

7.19% decrepse 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.

unquoted debt security of Php 150M.

23.52% increase in receivables
Significantly due to increase in receivable from Western Union and acquisition of Puregold

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 economics 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 a 12.1% 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 perspanel 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-a-vis developed economics, 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, modes by 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 U\$ 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.

#### Yellev! 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.

Ychey'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:

9 <b>1</b>	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	2002 to present	Valentino L. Sy	Filipino	57
Chairman & CEO	2005 to present			
Director	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	48
President & COO				
Director	2003 to present	Joseph L. Ong	Filipino	59
Treasurer	2005 to present			
Director	1999 to present	Willy N. Ocier	Filipino	56
Director	2003 to present	Roberto Z. Lorayes	Filipino	69
Director	1993 to 2000 &	Wilson L. Sy		
	2005 to present		Filipino	60
Director	2005 to present	Antonio R. Samson	Filipino	67
Director	2012 to present	Gregorio U. Kilayko	Filipino	58
Corporate Secretary	1993 tó present	A. Bayanî 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. Bunyl 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. University.

# Ignacio B. G menez

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 Joilibee 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

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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, Yeheyl 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,
- (e) 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 P operty 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

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

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#### 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 P6,000.00 (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	the second state of the second second	
All officers and directors as a group	2013 (Estimate)	5.572,099.96
	2012	5,347,232.45
	2011	5,495,278.68

# Item II. 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 Gorp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipinò	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
Commin	Wenith Securities, inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,827,929,068 r	Filipino	\$7,10%

\*The shales 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.	Stockholder	Filipino	884;350,718	42.14%
	21/F East Tower, PSE Centre,				
	Exchange Road, Orligas Center, Pasig City				
	Ms. Ruby Tan - Corp. Sec.				

# 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		at & Nature of reficial 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. Ocler	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. Şamson	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 Directo	ors 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

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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 Equilies, 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:

As r	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

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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.

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. S Chairman & CEO EDMUNDO MARCO P. BUNYI, JR. President & COO

MARIBËL E. BERE Comptroller

SUBSCRIBED AND SWORN to before me this APR 2.5 2013 at Pasig 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

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Series of 2013. |

ATTY-TOMAS F. DULAY, JR. J NOTARY PUBLIC Until Dec. 31, 2013 ADM, NATHER MP-00, 2013-2014 DTPH 761-11 1-01/07/13 Q.C. Refer to 11 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C. MC. 1-01/13 Q.C.

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# VANTAGE EQUITIES, INC.

# INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

# FORM 17 - A, Item 7

Page No.

# Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Consolidated Balance Sheets as of December 31, 2012 and 2011
Consolidated Statements of Income and Retained Earnings for the
Years Ended December 31, 2012, 2011 and 2010
Consolidated Statements of Cash Flows for the Years Ended
December 31, 2012, 2011 and 2010
Notes to Consolidated Financial Statements

# Supplementary Schedules

A. J. S.

Report of Independent Public Accountants on Supplementary Schedules

Part 1	İ
1 .J.	Schedule of Retained Earnings Available for Dividend Declaration
•	(Part 1 4C Annex 68-C)
11	Schedule of all effective standards and interpretations under PFRS
	(Part 1 4J)
111	Map showing relationships between and among parent, subsidiaries, an associate, and joint venture (Part 1 4H)
Part 2	
Α	Financial Assets (Part II 6D, Annex 68-E, A)
В	Amounts Receivable from Directors, Officers, Employees, Related Parties and
	Principal Stockholders (Other than Affiliates)
	(Part II 6D, Annex 68-E, B)
С	Amounts Receivable from Related Parties which are eliminated during the
	consolidat on of financial statements (Part II 6D, Annex 68-E, C)
D	Intangible Assets - Other Assets (Part II 6D, Annex 68-E, D)
E	Long-Term Debt (Part II 6D, Annex 68-E, E)
F	Indebtedness to Related Parties (included in the consolidated statement of
_	financial position) (Part II 6D, Annex 68-E, F)
G	Guarantees of Securities of Other Issuers (Part 11 6D, Annex 68-E, G)
Н	Capital Stock (Part II 6D, Annex 68-E, H)

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

No.			Page No.
(3)		isition, Reorganization, Arrangement, adation, or Succession	•
(5)		Defining the Rights of Security Holders, uding Indentures	*
(8)	Voting Trust	Agreement	•
(9)	Material Co	ntracts	•
(10)		ort to Security Holders, Form 17-Q or arterly Report to Security Holders	•
(13)	Letter re: C	hange in Certifying Accountant	•
(16)	Report Furn	ished to Security Holders	*
(18)	Subsidiaries	of the Registrant	*
(19)		eport Regarding Matters Submitted to te of Security Holders	•
(20)	Consent of	Experts and Independent Counsel	*
(21)	Power of A	ttomey	*
(29)	Additional	Exhibits	*

<sup>•</sup> These exhibits are either or not applicable to the Company or require no answer.



# VANTAGE EQUITIES, INC. AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited March 31, 2013	Audited 31-Dec-12
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	1,357,481,754	1,369,141,777
Receivables – net (Note 6))	1,296,079,107	912,499,486
Financial Assets at Fair Value through profit or loss (FVPL) (Note 7) Prepaid taxes and other current assets (Note 9)	2,917,500 22,983,544	450,158,034 8,716,170
Total Current Assets	2,679,461,905	2,740,515,467
Noncurrent Assets		
Loans and receivables - noncurrent portion	-	150,000,000
Available-for-sale securities (Note 8)	5,876,685,033	4,856,579,928
Investment in associates & JV- net	119,227	119,228
Deferred Tax Assets	357,353	3,819,683
Goodwill (Note 10)	3,654,985	3,654,985
Property and equipment – net (Note 10)	43,801,325	45,910,550
Other noncurrent assets - net (Note 11)	23,888,180	24,538,270
Total Noncurrent Assets	5,948,506,103	5,084,622,644
Total Policultene Assets		
	8,627,968,008	7,825,138,111
TAARII TERS AND STOCKIYOI DEDS! BOLIETY		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	454 071 590	200 201 525
Accounts payable and other current liabilities (Note 12)	454,071,580	298,281,535
Dividends Payable- net of tax	-	054 555 500
Notes Payable	610,349,500	874,775,500
Income tax payable	19,355,650	12,039,746
Current Portion of long-term debt  Total Current Liabilities	1,083,776,730	1,185,096,781
	1,003,770,730	1,103,070,701
Noncurrent Liabilities	<b>215.010</b>	415.000
Deferred tax liabilities	617,010	415,620
Accrued Retirement Costs	3,380,494	7,371,013
Asset Retirement Obligation		
Total Noncurrent Liabilities	3,997,504	7,786,633
	1,087,774,234	1,192,883,414
Steel haldana? Foreity		
Stockholders' Equity		
Equity attributable to equity holders of the parent:		
Capital stock – P1 par value		
Authorized – 2,250,000,000	0.005.000.600	2 225 200 622
Issued – 2.235,390,633	2,235,390,633	2,235,390,633
Stock Issuance Cost of a subsidiary	•	
Cumulative net unrealized gain on change in fair value of available-	1 650 005 101	1 002 052 225
for-sale investments	1,652,835,131	1,083,273,387
Retained earnings	3,670,937,721	3,347,493,258
Treasury Stocks	(188,520,838)	(188,520,838)
Minority Interest	169,551,127	154,618,257
Total Stockholders' Equity	7,540,193,774	6,632,254,697
	0 (27 0(0 000	7 975 120 111
	8,627,968,008	7,825,138,111

# VANTAGE EQUITIES, INC. AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF INCOME

P P P P

	For the Period Ended (Unaudited)		For the Quarter En	For the Quarter Ended (Unaudited)	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012	
REVENUES					
Money transfer service	103,592,786	105,246,143	103,592,786	105,246,14	
Equity in net earnings of associates	105,572,700	100,2-10,1-10	103,332,700	100,240,14	
Internet service and sales	1,298,924	5,790,503	1,298,924	5,790,50	
Money changing and foreign exchange	23,371,340	11,788,082	23,371,340	11,788,08	
Interest income	37,330,462	30,951,937	37,330,462	30,951,93	
Trading Gain/Loss	261,543,367	47,359,592	261,543,367	47,359,59	
Income from Mutual Fund	36,526,895	19,480,583	36,526,895	19,480,5	
Others	5,072,052	13,851,533	5,072,052	13,851,5	
	468,735,826	234,468,373	468,735,826	234,468,37	
EXPENSES					
General and administrative expenses (Note 13)	78,516,505	82,166,362	78,516,505	82,166,3	
Cost of services and sales	35,456,506	34,500,503	35,456,506	34,500,5	
Depreciation and amortization	3,921,460	4,298,208	3,921,460	4,298,2	
	117,894,471	120,965,073	117,894,471	120,965,0	
INCOME FROM OPERATIONS	350,841,355	113,503,300	350,841,355	113,503,3	
OTHER INCOME (CHARGES)					
Interest and bank charges - net	(9,219,217)	(975,513)	(9,219,217)	(975,5	
Others	3,187,624	(68,284)	3,187,624	(68,2	
	(6,031,593)	(1,043,797)	(6,031,593)	(1,043,75	
INCOME BEFORE EXTRA-ORDINARY					
Income/Expense	344,809,762	112,459,503	344,809,762	112,459,5	
Extra-Ordinary Income/(Exp.)	-	-	_		
INCOME BEFORE INCOME TAX	344,809,762	112,459,503	344,809,762	112,459,5	
PROVISION FOR INCOME TAX					
Current	6,432,428	10,149,095	(22,688,667)	10,149,0	
Deferred	· · -	•	(1,511,037)		
	6,432,428	10,149,095	(24,199,704)	10,149,0	
NET INCOME (LOSS)	338,377,334	102,310,408	369,009,466	102,310,4	
Attributable to:					
Equity holders of the parent (Note 18)	323,444,464	95,385,467	323,444,464	95,385,4	
Minority interests	14,932,870	6,924,941	14,932,870	6,924,9	
	338,377,334	102,310,408	338,377,334	102,310,4	
Basic/Diluted Earnings Per Share Attributable					
to Equity Holders of the Parent	0.16	0.05	0.16	0.	

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Quarter En	For the Quarter Ended (Unaudited)	
	March 31, 2013	March 31, 2012	
CAPITAL STOCK - 1 par value			
Authorized - 2,250,000,000 shares			
Issued - 2,235,390,633 shares			
Balance at beginning of year	2,235,390,633	2,235,390,633	
Stock issuance cost of a subsidiary	-,,	(3,209,910)	
Stock dividends issued	-	-	
Balance at end of period	2,235,390,633	2,232,180,723	
CUMULATIVE NET UNREALIZED GAIN ON CHANGE IN FAIR			
VALUE OF AVAILABLE-FOR-SALE SECURITIES			
Balance at beginning of year	1,083,273,387	558,384,899	
Unrealized Gain/(loss)	569,561,742	346,405,043	
Balance at end of period	1,652,835,129	904,789,942	
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year	3,347,493,258	2,840,384,631	
Net income (loss)	338,377,334	95,385,469	
Share in Minority Interest	(14,932,869)	-	
Stock Dividend	-	-	
Balance at end of period	3,670,937,723	2,935,770,100	
TREASURY SHARES	(188,520,838)	(188,520,838)	
MINORITY INTEREST			
Balance at beginning of year	154,618,257	129,935,635	
Minority share in the capital stock from issuance of property dividend			
Total income and expenses recognized during the period	14,932,870	(18,846,347)	
Balance at end of period	169,551,127	111,089,288	

7,540,193,774

5,995,309,216

# VANTAGE EQUITIES, INC. AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Quarter Ended (Unaudited)	
	March 31, 2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Tax	344,809,762	112,459,503
Depreciation and amortization	3,921,460	4,298,208
Interest expense	9,219,217	975,513
Dividend income	(1,453,377)	(6,145,863)
Interest income	(37,330,462)	(30,951,937)
Operating income before working capital changes	319,166,600	80,635,424
Changes in operating assets and liabilities:	<b>, ,</b>	,,
Decrease (increase):		
Receivable	(247,217,676)	259,567,211
Prepaid expenses and other current assets	(14,267,374)	(4,369,822)
Increase (decrease) in accounts payable and other current liabilities	156,145,331	(108,918,589)
Net cash provided by (used for) operations	213,826,881	226,914,224
Interest paid	(9,219,217)	(975,513)
Income tax paid	.,,,,	,
Dividends received	1,453,377	6,145,863
Interest received	50,968,517	30,951,937
Net cash provided by (used in) operating activities	257,029,558	263,036,511
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Investment and advances	-	56750
Property and equipment	(1,812,233)	(3,267,564)
Decrease (increase) in AFS/HTM	(572,864,571)	(303,972,437)
Increase (decrease) in net unrealized gain on AFS	569,561,744	346,405,045
Decrease (increase in) other assets	851,480	(3,000,962)
Net cash provided by (used in) investing activities	(4,263,580)	36,220,832
CASH FLOWS FROM FINANCING ACTIVITY	, , ,	• •
Increase (decrease) in minority interest	-	13,225,793
Acquisition of Treasury Shares	-	-
Payment of loans	(264,426,001)	48,499,601
Cash used in financing activities	(264,426,001)	61,725,394
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,660,023)	360,982,737
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,369,141,777	540,411,971
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,357,481,754	901,394,708

# VANTAGE EQUITIES, INC. (Formerly iVantage Corporation)

# AND SUBSIDIARIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General Information

# Corporate Information

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

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

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

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

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

		Percentage of Ownership	
Name of Subsidiaries	Place of Incorporation	1Q2013	2012
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.	Philippines	100.00	100.00
Philequity Foreign Currency Fixed Incom	ie		
Fund, Inc.	Philippines	100.00	100.00
Philequity Dividend Yield			
Fund, Inc. (PDYF)	Philippines	100.00	100.00
Yehey! Corporation (Yehey!)	Philippines	66.97	66.97
Philequity Management, Inc. (PEMI)  * Indirectly owned through e-Business	Philippines	51.00	51.00

The Parent Company is the ultimate parent of the Group.

# e-Business

e-Business is involved in fund transfer and remittance services, both domestic and abroad, of any form or kind of currencies or monies, as well as in conducting money exchange transactions as may be allowed by law and other allied activities relative thereto. e-Business has an existing Representation Agreement (Agreement) with Western Union Financial Services, Inc. (Western

Union) covering its fund transfer and remittance services for a period of seven years from September 1, 2007 to August 31, 2014. e-Business shall receive remuneration for the services provided to Western Union in accordance with the terms stipulated in the Agreement.

# eBiz Financial

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

# iCurrencies

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

In May 2001, the iCurrencies effectively stopped its business of buying and selling currencies as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on October 26, 2000. Among others, the new circular required additional documentation for sale of foreign currencies and required Foreign Exchange Corporations (FxCorps) to have a minimum paid-up capital of \$\text{P50.0}\$ 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 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 and is primarily engaged in management of mutual funds.

# 2. Summary of Significant Accounting Policies

# Basis of Preparation

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

#### Statement of Compliance

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

#### Basis of Consolidation

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

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

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

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

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

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

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

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

BOD of the investees.

# Non-Controlling Interest

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

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

# Changes in Accounting Policies and Disclosures

The accounting policies adopted 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 Translation

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

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

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

# <u>Financial Instruments - Initial Recognition and Subsequent Measurement</u> Date of recognition

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

# Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial 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 derivative liabilities, financial liabilities at FVPL or financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of March 31, 2013 and December 31, 2012, 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 assets at FVPL represent securities which are held for trading and free standing derivative (currency forward contract). Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' in the consolidated statement of income, respectively, while dividend income is recorded in 'Dividends' in the consolidated statement of income according to the terms of the contract, or when the right to receive payment has been established.

#### Financial instruments at FVPL

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

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

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

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

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

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

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

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

- 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 March 31, 2013 and December 31, 2012 pertaining to Unquoted debt securities under 'Loans and receivables'. The value of the bifurcated embedded derivatives is not significant.

As of March 31, 2013 and December 31, 2012, the Company's financial assets at FVPL comprise of investments in corporate bonds and currency forward contracts.

## Loans and receivables

This accounting policy relates to the consolidated statement of financial position captions 'Cash and cash equivalents', 'Loans and receivables' and 'Refundable deposits' (included under Prepaid expenses and other current assets). These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Other financial assets held for trading' or designated as 'AFS investments' or 'Financial assets designated at FVPL'.

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

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

# Financial Liabilities

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

A financial liability is held for trading if:

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

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

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

Financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value of financial instruments are recorded in Mark-to-market gain (loss) on financial assets at FVPL in the consolidated statement of income. Interests incurred are recorded in Interest expense in the statement of income using the effective interest method.

# Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

# Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability

and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

## Offsetting Financial Instruments

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

# Impairment of Financial Assets

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

#### Impairment of financial assets carried at amortized cost

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

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for 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 statement of income. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

#### Cash and cash equivalents

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

## Investments in associate and joint venture

# Investment in associate

Associates are entities which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% 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.

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

# Property and Equipment

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

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

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

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

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

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

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

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

# Software and Website

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

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

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

#### Goodwill

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

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

# Revenue Recognition

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

#### Commission income

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

# 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.

# 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 service is rendered.

# Share in Foreign Exchange Differential

Income from foreign exchange differential is recognized when service is rendered and foreign currency denominated cash is converted into Philippine peso.

## Interest Income

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

# Dividend Income

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

#### Service Income

Service income is recognized when the services are rendered.

# Management fee

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

# Gain on Sale of AFS Investments

Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

## 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.

## Leases

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

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

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

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

# Retirement Costs

e-Business has funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The Parent Company and Yehey! have unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The obligation and costs of retirement benefits are actuarially computed by an independent actuary using projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting period exceed 10.00% 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

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actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

# Income Taxes

#### Current Tax

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

# Deferred Tax

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

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

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

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

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

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

# Equity

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

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

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

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

# Basic/Diluted Earnings 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**

#### General

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

# Asset Retirement Obligation

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

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

# Contingent Liabilities and Contingent Assets

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

#### Events after the Reporting Period

Events after reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial

statements. Events that are not adjusting events, if any, are disclosed in the notes to consolidated financial statements, when material.

# Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries while stock dividends are deducted from equity when approved by the BOD and shareholders of the Parent Company. 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:
    - 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	As at
	2012	1 January 2012
Increase (decrease) in:		
Consolidated statements of financial position		
Retirement payable	(₱9,594,787)	( <del>P</del> 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.

### Annual Improvements to PFRSs (2009-2011 cycle)

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.

 $\it PAS~1$ ,  $\it Presentation~of~Financial~Statements$  -  $\it Clarification~of~the~requirements~for~comparative~information$ 

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

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

# **Judgments**

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

- a) Determination of Functional Currency
  The Group has determined its functional currency to be the Philippine peso. It is the currency
  of the primary economic environment in which the Group operates and the currency that
  mainly influences the income and expenses.
- b) Operating Lease Commitments Group as a Lessee

  The Group has entered into a lease for some of its office spaces and branches. The Group has determined that it has not acquired all the significant risks and rewards of ownership of the leased properties because of the following factors: (a) the Group will not acquire the ownership of the leased asset upon termination of the lease; (b) the Group has no option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option; and (c) the lease term is only for a period of one year, renewable annually. Accordingly, the Group accounts for the lease as operating leases.
- c) Fair value of financial instruments
  Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments (see Note 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 balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Fair value of financial instruments
 PFRS requires that certain financial assets and liabilities be carried and disclosed at fair value, which requires the use of accounting estimates and judgments. While significant components

of fair value measurement are determined using verifiable objective evidence (i.e. foreign exchange rates, interest rates, volatility rate), the timing and amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in the assumptions could affect the fair values of these financial assets and liabilities.

As of September 30, 2012 and December 31, 2011, the fair values of financial assets and financial liabilities are disclosed in Note 7.

### 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 September 30, 2012 and December 31, 2011, receivables net of allowance for credit losses are disclosed in Note 6.

# c) Impairment of AFS equity investments

The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease by more than 20.00% 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.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. As of September 30, 2012 and December 31, 2011, the carrying value of AFS investments are disclosed in Note 8.

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

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

There is no change in the estimated useful lives of property and equipment, software and website during the year. As of September 30, 2012 and December 31, 2011, the carrying values of property and equipment are disclosed in Note 10.

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 property and equipment and software do not have any indication of impairment.

Fifth Agency Unified Services, Inc. (FAUSI) stopped its normal operations in 2008. FAUSI suffered consecutive years of losses which the management believes may lead to non-recovery of their investment.

### f) Impairment of Goodwill

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

# Key assumptions used in value in use calculations

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

Discount Rates. Discount rates reflect management's estimate of the risks specific to the cash generating unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The discount rate used for the cash-generating unit is based on the estimated cost of equity. This rate is further adjusted to reflect the market assessment of any risk specific to the generating unit for which estimates of cash flows have not been adjusted.

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

### Sensitivity to Changes in Assumptions

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

### g) Asset retirement obligation

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

### h) Accrued retirement costs

The determination of the Group's retirement cost is dependent on selection of certain assumptions used by the actuary in calculating such amount. Those assumptions include, among others, discount rates, rates of future salary increase, expected rate of return on plan assets and average remaining working lives of employees. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future

periods. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

# i) Deferred tax assets

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

# j) Legal Contingencies

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

# 4. Segment Information

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

# a. Investment holdings

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

#### b. Remittance services

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

# c. Internet services

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

### d. Mutual fund management

This segment deals in the management of mutual funds.

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

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

### 5. Cash and Cash Equivalents

This account consists of:

	March 31, 2013	December 31, 2012
Cash on hand and in banks	₽252,757,101	₱341,781,632
Short-term investments	1,104,724,653	1,027,360,145
	₽	
	1,357,481,7541,	
	357,481,754	₱1,357,481,754

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

### 6. Loans and receivables

This account consists of:

	March 31, 2013	December 31, 2012
Due from:		
Western Union	₽397,679,116	₱456,748,895
Broker	26,050,106	30,003,989
Sub-agents	15,174,922	15,174,922
Business partners	-	5,615,263
Unquoted debt securities	474,671,806	480,565,787
Receivable from advertising and web		, ,
development services	42,946,381	42,529,019
Accrued interest	25,288,023	38,926,078
Trade receivable	20,180,792	11,737,072
Advances to officers and employees	77,663	.3,429,063
Others	335,041,054	21,204,528
	1,337,109,863	2,674,219,726
Less allowance for credit losses	41,030,755	43,435,130
	₽	
	1,296,079,108474	
	,671,806	₱474,671,806

# Aging of Loans and Receivables As of March 31, 2013

No. of Days	Receivable from advertising and web development services	Due from WU, Brokers, Subagents and Affiliates	Unquoted Debt Securities	Others	Total
Current (1-30 days)	6,310,080	438,904,144	-	380,587,532	825,801,756
31 – 60 days	4,524,682	-	-	-	4,524,682
61 – 90 days	1,433,342	-	-	-	1,433,342
Over 90 days	30,678,277	-	474,671,806	_	505,350,083
TOTAL	42,946,381	438,904,144	474,671,806	380,587,532	1,337,109,863

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

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

Unquoted debt securities represent investment in a credit linked note. This credit linked note is a financial instrument structured with an embedded credit default swap in relation to the linked obligation, a global bond issued by SM Investment Corporation to ING Bank. Aside from the credit default swap, the note contains an embedded foreign exchange option wherein the issuer has the option to pay interest in USD or in an equivalent amount of PHP calculated at the foreign exchange period end rate. No bifurcation was made on the embedded derivatives.

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

The terms and conditions of receivables are as follows:

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

### 7. Financial Assets at FVPL

This account consists of investments in:

	March	31, 2013	December 31, 2012
Held-for-trading			
Government bonds	₽	-	385,781,634
Corporate securities		_	61,575,000
Derivative asset			
Currency forward contracts	2	2,917,500	2,801,400
	₽2,	917,5000	₽04

# 8. Available-For-Sale Investments

This account consists of investments in:

March 31, 2013 December 31,2012		
<b>₽2,644,789,517</b>	₱1,605,784,164	
1,516,816,367	1,667,064,599	
1,715,079,149	1,583,970,477	
	₹	
9,1	08,580,54917,215,	
₽	956,241	
-	(239,312)	
5,876,685,033	₽0	
	₹2,644,789,517 1,516,816,367 1,715,079,149 9,1	

# 9. Prepaid Expenses and Other Current Assets

# This account consists of:

1	March 31, 2013	December 31, 2012
Prepaid expenses	¥4,429,590	2,461,136
Input value-added tax	2,416,502	3,253,030
Creditable withholding tax	2,479,802	536,782
Others	13,657,650	2,465,222
	<b>₽</b> 22,983,544	₱22,983,544

# 10. Property and Equipment

Details of this account are presented below:

	March 31, 2013	December 31, 2012
Cost	¥340,845,754	₱342,469,816
Less: Accumulated Depreciation	297,044,429	296,559,266
	¥43,801,325	₽
	4	5,910,550681,691,50
		8

# 11. Other Noncurrent Assets

This account consists of:

	March 31, 2013	December 31, 2012
Receivable from sale of investments	₽ -	₱96,592,600
Rental and other deposits	20,324,041	20,729,593
Software and website - net	126,969	0
Others	3,437,170	810,483
		23,888,180
Less: Allowance for credit losses	-	96,815,015
	₽23,888,1800	₽00

# 12. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2013	December 31, 2012
Due to sub-agents and brokers	₽167,796,695	₱196,929,646
Accrued expenses	91,175,753	51,534,561
Trade	2,504,918	24,695,822
Others	192,594,214	25,121,506
	<b>₽</b> 454,071,580	₱908,143,1605

Terms and conditions of financial liabilities follow:

• Due to sub-agents and brokers are noninterest-bearing and are normally settled on a two to four days' term.

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

# 13. General and Administrative Expenses

This account consists of:

	March 31, 2013	March 31, 2012
Salaries, wages and allowances	₽27,927,057	₱28,543,712
Rent and utilities	20,311,242	21,399,048
Outside services	15,465,674	16,056,866
Professional fee	1,721,247	3,879,389
Office supplies	2,584,991	2,587,516
Taxes and licenses	5,032,317	3,419,697
Transportation and travel	897,780	1,182,822
Representation	1,156,082	648,837
Advertising	371,761	111,360
Others	3,048,354	4,337,115
		P
	82	,166,362157,033,0
	₽78,516,505	10

### 14. Retirement Costs

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

# 15. Equity

a. Capital Stock - P1 par value of common shares

The details of this account are shown below:

Authorized shares
Issued and outstanding shares

2,250,000,000 2,235,390,633

### b. Treasury stock

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

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

### 16. Related Party Transactions

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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.

### 17. Financial Risk Management Objectives and Policies

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. 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's credit exposures are to the National Government of the Philippines through investments in government securities, to blue-chip local firms through equity and corporate bond holdings and to commercial banks through its short-term deposits.

# 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 instruments. These investments are maintained to meet maturing obligations.

### Market Risk

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

### 18. Basic/Diluted Earnings Per Share

		March 31, 2013	March 31, 2012	March 31, 2011
(a)	Net income attributable to equity			
	holders of the Parent Company	<b>₽323,444,464</b>	₱95,385,467	₱155 <b>,</b> 264,508
(b)	Weighted average outstanding shares	2,235,390,633	2,235,390,633	2,046,869,795
(c)	Basic/Diluted earnings (loss) per share			
_	(a/b)	₹0.144	₽0.0426	₽0.0759

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

	THEREUND	er	RECE
1.	For the quarterly period ended	March 31, 2013	A COMPANIES CONTRACTOR OF THE PARTY OF THE P
2.	SEC Identification Number	AS-092-07059	
3.	BIR Tax Identification No.	002-010-620	
4.	Exact name of registrant as specifi VANTAGE EQUITIES		
5.	Province, Country or other jurisdiction of Incorporation or Organization: <u>Philippines</u>		
6.	(SEC Use Only)		
	Address of Principal Office: Unit 2703A East Tower, Philippine S Exchange Road	Stock Exchange Centre. I. Ortigas Center, Pasig Cit	<u>v</u>
7.	Registrant's telephone number, includ	ing area code: (632) 689-809	4
8.	Former name, former address, and for Not applicable	mer fiscal year, if changed sin	ice last report
9.	Securities registered pursuant to Section	ons 4 and 8 of the RSA Number of Shares of	
	Title of Each Class Common Stock, P1.00 par value (N	Common Stock Outstand 2,100,535,133 et of Treasury Shares of 13-	•
10.	Are any or all of these securities listed Yes [X] No [ ]		nange,
11.	Check whether the registrant:		
	<ul> <li>a) has filed all reports required to Securities Act (RSA) and RSA Rule 141 of the Corporation Code of the Pl</li> </ul>	11(a)-1 thereunder and Sec	tions 26 and

(or for such shorter period that the registrant was required to file such reports); No[]

No[]

has been subject to such filing requirements for the past 90 days.

Yes [X]

Yes [X]

b)

#### PART I - FINANCIAL INFORMATION

#### Item 1. Financial Statements

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

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

#### Financial Highlights

	Unaudited	red a dependence Au	lited
In Millions	March 31, 2013	December 31, 2012	December 31, 2011
Balance Sheet			
Assets	8,628	7,285	5,842
Liabilities	1,088	1,193	309
Stockholders' Equity	7,540	6,632	5,533
Book Value per Share	3.37	2.97	2.63
Income Statement			
Revenues	469	1,059	1,053
Expenses	118	524	512
Other Income / (Charges)	(13)	35	(11)
Net Income	338	570	530
Earnings per Share	0.16	0.26	0.25

### Results of Operations for the Quarter Ended March 31, 2013

The Company posted a consolidated net income of Php338.0 million as of March 31, 2013. It went up by 260% compared to same period last year of Php102 million. On a per share basis, the company earned 0.16 centavos as of March 31, 2013 compared to .26 centavos as of December 31, 2012.

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.

The Philippine stock market rallied 17.80 percent during the first quarter on the back of optimism about the local economy even as Fitch Ratings gave the Philippines its first ever investment grade rating. IN addition the Bangko Sentral ng Pilipinas (BSP) continues to cut rates on its SDA causing investors to look elsewhere for yield. This has caused flows into mutual funds to significantly increase and BSP has hinted several cuts are to be expected in the future.

On the fixed income side, yields were mostly on a downtrend 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 following summarizes the operating results of the Company's subsidiaries:

#### eBusiness Services, Inc. ("eBiz")

eBiz continue to achieve record money transfer volume. However, despite transaction growth, money transfer revenues still fell 1.5% YoY to Php1.6 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 Php25.5 million in first quarter of 2013 from Php11.7 million in of the same period last year. Meanwhile, as a result of the Company's continued efforts to rationalize its costs, general and administrative expenses fell by 3% YoY to Php71.7 million from Php74.2 million in March 2012. After provisions and taxes, eBiz posted a net income of Php19.7 million in 2013, up 19% from Php10.2 million in 2012.

#### Yehey! Corporation ("Yehey")

Total Revenues of the Company decreased by P 4.75 million from P9.59 million to last year P4.84 million of 1st quarter of 2013 and 2012 respectively. This is due to substantial decrease in media sales, web development and digital PR.

However, Total Cost and Expenses decreased by approximately P5.31 million due to decrease in Salaries & Wages and Other Costs like Depreciation, Subscription and Writers' Fee, among others.

As such. Net Loss of the Company is P.5 million in March 2013 from P2.2 million in 2012.

#### Philequity Management, Inc. ("PEMI")

Net revenues as of March 31, 2013 climbed to Php36.5 million from Php19.4 million last year due to increase in assets under management.

Expenses as of the 1st quarter of the year were 53% lower vs. last year. YTD net profit increased by 198% or Php 30.8 million from Php10.3 million last year.

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

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

#### **Key Performance Indicators**

The Company sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators.

	March 31, 2013	March 31, 2012
Current Ratio	247.23%	614.55%
Assets to Equity <sup>2</sup>	114.43%	104.34%
Liabilities to Equity <sup>3</sup>	14.43%	4.34%
Return on Average Assets <sup>4</sup>	1.11%	1.52%
Return on Average Equity <sup>5</sup>	1.26%	1.59%

The manner by which the Company calculates the above performance indicators for is as follows;

Formula				
1	Current Assets / Current Liabilities			
2	Total Assets / Total Equity			
3	Total Liabilities / Total Equity			
4	4 Net Income / Average Total Assets			
5	Net Income / Average Total Equity			

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

### Income Statement items - three month period ending 31-March-2013 versus 31-March-2012

77.57% decrease in internet sales and services
Mainly due to lower media sales, web development and dpr revenue.

98.26% increase in money changing and foreign exchange Mainly due to higher value of forex rates.

20.61% increase in interest income
Mainly due to additional fixed income securities.

87.5% increase in mutual fund income Mainly due to increase in assets under administration.

452.25% increase in trading gains(loss)
Mainly due to high market price of investments.

845% increase in interest and bank charges
Primarily due to increase US dollar denominated loans from banks.

### Balance Sheet items - March 31, 2013 versus end 2012

63% increase in receivables

Mainly due to advances for a new potential fund investment company.

99% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL) Primarily due to disposals of FVPL.

21% increase in available-for-sale securities
Largely due to increase in equities and mutual fund investments.

53% 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.

52% increase in accounts payable and other current liabilities
Significantly due to purchase of equity securities payable in April 2013.

# **SIGNATURES**

Pursuant to the requirements of the Section 17 of the 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 on May 20, 2013.

VANTAGE EQUITIES, INC. AND SUBSIDIARIES Issuer

By:

EDMINDO MARCO P. BUNYI, JR. Bresident & COO

MARIBEL E. BERE Group Comptroller