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DARWIN S. OCAMPO

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LAST FRIDAY OF JUNE

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### Total Amount of Borrowings

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6. Borrowings

**To be Accomplished by SEC Personnel concerned**

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## STAMPS

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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, 4 August 2012 at 9:30 in the morning** at the **Rigodon Ballroom, The Peninsula Manila (Corner of Ayala and Makati Avenue, Makati City)** to consider the following:

### AGENDA

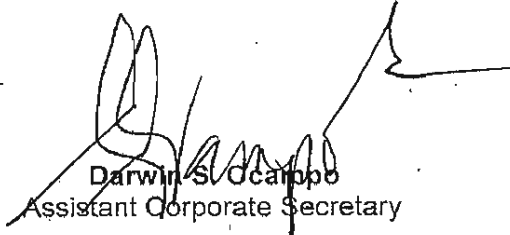
1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2011 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on **4 July 2012** 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 9:00 a.m. and end promptly at 9:20 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 27/F 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 five(5) days** before the meeting, or on or before **30 July 2012**. Proxies submitted shall be validated by a Committee of Inspectors on **31 July 2012** at 10 o'clock in the morning 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 signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is 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, 28 June 2012.

  
Darwin S. Ocaringo  
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter VANTAGE EQUITIES, INC.
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: 2703-B East Tower, Philippine Stock Exchange Centre  
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 security holders:  
Date : 4 August 2012  
Time : 9:30 in the morning  
Venue : Rigodon Ballroom, The Peninsula Manila,  
(Corner of Ayala and Makati Avenue, Makati City)

Approximate date on which the Information Statement is first to be sent or given to security holders: 13 July 2012

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 30 June 2012
Common Stock P1.00 par value	2,100,535,133 Excluding Treasury Shares of 134,855,500

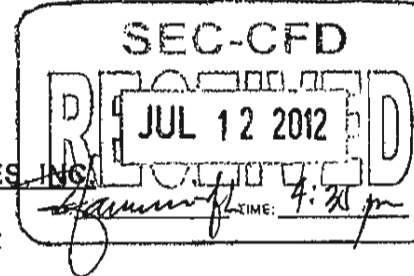
11. Are any or all of Registrant's securities listed on a Stock Exchange?

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:** 4 August 2012  
**Time:** 9:30 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-BEAST 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 13 July 2012.**

### **Dissenters' Right of Appraisal**

The matters to be voted upon in the Annual Stockholders' Meeting of Vantage Equities, Inc. (hereinafter, the 'Company') on **4 August 2012** 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:

1. 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;
2. 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 2012-2013.

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 30 June 2012, the Company has **2,100,535,133** outstanding common shares. 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 **4 August 2012** is set on **4 July 2012**.
- (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**

##### **1. Security Ownership of Certain Record and Beneficial Owners**

As of 30 June 2012, 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:

<b>Title of Class</b>	<b>Name and Address of Record/Beneficial Owner</b>	<b>Relationship with the Company</b>	<b>Record (r) Beneficial (b) Owner</b>	<b>Citizenship</b>	<b>Number of Shares</b>	<b>Percent of Class</b>
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,129,789,769	95.28%

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

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with Company	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wealth Securities, Inc. 21/F East Tower, PSE Centre, Exchange Road, OrtigasCenter, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,769,653,570.00 R	Filipino	83.09%

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

Class	Name and Address of Record Owner and Relationship with Issuer	Relationship with Company	Citizenship	Number of Shares	% Held
Common	Creative Wisdom, Inc. 21/F East Tower, PSE Centre, Exchange Road, OrtigasCenter, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	684,611,968	38.69%

## (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 30 June 2012:

Title of Class	Name	No. of Shares	Citizenship	Percentage
Common	WILSON L. SY	1,150,000.00	Filipino	0.05%
Common	VALENTINO SY	175,000.00	Filipino	0.01%
Common	WILLY OCIER	502,500.00	Filipino	0.00%
Common	ANTONIO R. SAMSON	62,500.00	Filipino	0.00%
Common	ROBERTO Z. LORAYES	25,000.00	Filipino	0.00%
Common	IGNACIO B. GIMENEZ	12,500.00	Filipino	0.00%
Common	JOSEPH LIAO ONG	12,500.00	Filipino	0.00%
Common	EDMUNDO MARCO P. BUNYI, JR.	10,000.00	Filipino	0.00%
Common	GREGORIO U. KILAYKO	10,000.00	Filipino	0.00%
Common	A. BAYANI K. TAN	1,437.00	Filipino	0.00%
	<b>TOTAL</b>	<b>1,961,437.00</b>		

## (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	67
Director	2002 to present	Valentino L. Sy	Filipino	56
Chairman & CEO	2005 to present			
Director President & COO	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	47
Director	2003 to present	Joseph L. Ong	Filipino	58
Treasurer	2005 to present			
Director	1999 to present	Willy N. Ocier	Filipino	55
Director	2011 to present	Gregorio U. Kilayko	Filipino	57
Director	2003 to present	Roberto Z. Lorayes	Filipino	68
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	59
Director	2005 to present	Antonio R. Samson	Filipino	66
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	56
Asst. Corporate Secretary	2011 to present	Darwin S. Ocampo	Filipino	28

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, except Mr. Gregorio Kilayko who was elected on 7 May 2012, 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 4 August 2012.

The following are brief write-ups for each of the Board of Directors and Executive Officers.

##### **Valentino C. Sy**

Mr. Sy, Filipino, 56, is currently the Chairman of the Board of Directors 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, Filipino, 47, is currently a Director of the Company and its President and Chief Operations Officer. 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. 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, Filipino, 67, 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 Index Fund, Inc. and 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).

**Gregorio U. Kilayko**

Mr. Kilayko, Filipino, is one of the Company's independent directors and is presently the Chairman of ABBA Motors; a Director of The Royal Bank of Scotland; and an Independent Director of Belle Corporation, SM Prime Holdings, Inc. and Highlands Prime Leisure, Inc. He was 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 the Wharton School of the University of Pennsylvania.

**Joseph L. Ong**

Mr. Ong, Filipino, 58, is a Director and the treasurer of the Company and became a director in 2003. He is a director as well of Yehey! Corporation, 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**

Mr. Ocier, 55, Filipino, is a Director of the Company. He is also the Chairman and



President of Pacific Online Systems Corporation and has been a Director since 1999. He also serves as Co-Vice Chairman of Belle Corporation and Highlands Prime, Inc. and 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.. He was also previously affiliated with Eastern Securities Development Corporation being its past President and Chief Operations Officer.

**Roberto Z. Lorayes**

Mr. Lorayes, 68, Filipino, 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, Filipino, 59, 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, Filipino, 66, 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).

**A. Bayani K. Tan**

Atty. Tan, Filipino, 56, 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., PharexHealthCorp., 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**

Atty. Ocampo, Filipino, 28, is the Assistant Corporate Secretary of the Company. He is also currently the Assistant Corporate Secretary of the following reporting companies: Tagaytay Highlands International Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands Inc, Yehey! Corporation, Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Balanced Fund, Inc., and Philequity Dollar Income Fund, Inc. He is also the Director, Corporate Secretary, or Assistant Corporate Secretary of private companies such as Mio Magazine, Inc., Arquee Corporation, Elevate Financial Solutions Inc., Hambrecht & Quist Philippines, Inc., and Professional Parking Management Corporation. Atty. Ocampo is a member of the Philippine Bar and a Special Lecturer in the Pamantasan ng Lungsod ng Maynila. He holds a Bachelor of Arts in Political Science Degree and a Juris Doctor Degree from the University of the Philippines.

#### **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.

### **Certain Relationships and Related Party 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.

The Company 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 Short-term advances made by Philequity Management, Inc. to Philequity Fund, Inc. were presented under 'Loans and receivables' in the amount of ₱5M.
- 12.2 Philequity Management, Inc. has a consultancy agreement with a board member of the Company amounting to ₱1.8M accrued in 2011 and subsequently paid in February 2012.
- 12.3 In 2011, Yehey! Corporation, eBiz Financial Services, Inc. and Philequity Fund,

Inc. participated in the Parent Company's investment in credit-linked note by purchasing ₱359.52M at face value. The Company serves as the receiving agent of all coupon interest for the entire duration of the participation.

- 12.4 The Company waived the collection of rental for the lease of office of Yehey! Corporation of the years 2010 and 2011.
- 12.5 In 2011, 2010 and 2009, the Parent Company paid certain expenses of e-Business, Yehey! Corporation, Philequity Management, Inc. and iCurrencies, which were later billed for reimbursement.
- 12.6 Compensation of key management personnel of the Group:

	2011	2010	2009
Salaries and wages	15,555,985.00	16,445,855.00	17,880,831.00
Retirement benefits	848,770.00	220,140.00	141,738.00
	16,404,755.00	16,665,995.00	18,022,569.00

#### 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 ₱6,000.00 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		
Joseph L. Ong Treasurer		
All officers and directors as a group	2012 (Estimate)	5,511,000.00
	2011	6,087,284.15
	2010	5,261,529.24
	2009	5,185,558.74

### **Independent Public Accountants**

The auditing firm of SycipGorresVelayo&Company (SGV & Co.) will be nominated and recommended to security holders for appointment as external auditor for the year 2012-2013. Representatives of said firm are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire. In compliance with the requirement on Rotation of External Auditors under SRC Rule 68, paragraph 3 (b) (iv), as amended, the assignment of SGV & Co.'s engagement partner for the Company shall not exceed five (5) consecutive years. Ms. Vicky B. Lee-Salas was assigned as SGV & Co.'s engagement partner for the Company, beginning the year 2009.

### **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, SGV & Co., in connection with annual audit of the Consolidated and Parent Company Financial Statements for statutory and regulatory filings are summarized below:

	<b>2011</b>	<b>2010</b>
Audit Fee	704,704.00	666,344.00
Tax Services	-	-
Other Fees	-	-
<b>TOTAL</b>	<b>704,704.00</b>	<b>666,344.00</b>

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 2011 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 2011, 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.

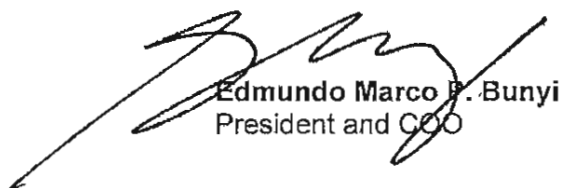
Items 9, 10, 11, 12, 13, 14, 16, 17, and 18 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

## 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 28 June 2012.

**VANTAGE EQUITIES, INC.**

By:



**Edmundo Marco P. Bunyi**  
President and COO

## **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 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, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

#### **Investments**

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

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

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



**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 2011, eBiz had over 1,000 locations nationwide: 157 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.

**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 2011, 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 2011, the Fund has not yet launched its capital shares to the public.

### **Yehey! Corporation ("Yehey") – 68.35% 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. Such listing is scheduled in 2012.

### **Philequity Management, Inc. ("PEMI") – 51% ownership**

Vantage acquired 51% of PEMI in 2007 for ₱32 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.

### **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 ₱585-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. In 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 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.

### **Yehey! Corporation – 68.35% ownership**

Yehey! considers the following as competitors:

- Digital Agencies

- Advertising Agencies

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

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

*BBDO-Proximity*

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

*Deploy*

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

*Havoc*

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

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

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

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

## Financial Performance

The Company derived its revenues from investment activities.

	2011	2010	2009
Commission income	334,087,049	350,326,588	351,245,290
Gain on sale of AFS investments	333,150,050	504,049,829	141,910,113
Interest income from:			
AFS investments	103,282,875	93,852,163	79,283,201
Cash and cash equivalents	11,535,280	13,850,853	14,927,210
Financial assets at FVPL	6,583,120	6,621,675	17,764,766
Unquoted debt securities	4,075,852	-	-
Others	-	-	846,502
Share in foreign exchange differential	85,573,235	75,767,180	73,882,915
Management fee and service income	65,414,284	43,623,335	32,631,160
Money changing gain	36,485,920	59,577,996	71,273,614
Dividend income	35,610,251	45,775,827	61,716,274
Advertising, web development and internet service	33,851,638	30,406,652	37,940,925
Income from business partners	2,868,068	2,333,776	-
<b>TOTAL</b>	<b>1,052,517,622</b>	<b>1,226,185,874</b>	<b>883,421,970</b>

As of December 31, 2011, the Company has a total of 482 employees as broken down below who are not subject to Collective Bargaining Agreements (CBA).

Position	No. of Employees	Anticipated No. of Additional Employees
Executive	1	-
Senior Officer	6	-
Manager	23	-
Supervisor	137	-
Staff	315	25
<b>TOTAL</b>	<b>482</b>	<b>25</b>

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, OrtigasCenter, 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, OrtigasCenter, 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, OrtigasCenter, 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, OrtigasCenter, 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.

**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* - As of December 31, 2011 these equipment are already fully depreciated but still in use by the Company.

*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 year 2011, Vantage Equities, Inc. waived its rental fee amounting to P2,132,088 evidenced by an Office Memo signed by the Mr. Edmundo Marco P. Bunyi, President and COO of Vantage Equities, Inc. and Mr. Jose Carlos Arellano, President and CEO of Yehey! Corporation.

*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, OrtigasCenter, 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, OrtigasCenter, 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, OrtigasCenter, 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

On 10 October 2005, e-Business filed a case for specific performance against Sure Express to comply with its obligations under the Money Transfer Service Agreement entered by the parties. On 28

September 2007, RTC Branch 214 of Mandaluyong City rendered a decision in favor of E-Business prompting Sure Express to appeal before the Court of Appeals and Supreme Court.

A petition for certiorari was filed by Sure Express World Wide Corp. on 11 January 2010 against the Court of Appeals and e-Business. The Supreme Court rendered a decision on 3 February 2010 dismissing the petition. The aforesaid resolution became final and executory on 12 April 2010. Parties were furnished copies of the Entry of Judgment on 3 August 2010.

e-Business filed a Motion for Execution of Judgment on February 2012 before RTC Branch 214 in Mandaluyong City to execute aforesaid resolution of the Court of Appeals. The motion is still pending for hearing and resolution

**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 6 November 2007 against defendant for the latter's refusal to settle and/or pay E-Business insuranceclaim as a result of loss of money due to robbery or brigandage. e-Business claims for the aggregate amount of ₱1,880,085.98 and US \$25,860.00 plus interest at the rate of 12% per annum from 22 January 2007, attorney's fees of not less than 20% of the claims, ₱500,000.00 as damages and the cost of suit. The case is pending pre-trial.

**3.3.Criminal Case No. 12822,**  
captioned "*People of the Philippines vs. Noriel 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 9 December 2008. The accused left for Bangkok on November 2008 and his whereabouts remain unknown since then. The instant case was archived in 2009.

## OPERATIONAL AND FINANCIAL PERFORMANCE

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

#### Stock Prices (as adjusted)

	2012		2011		2010	
	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	1.91	1.85	1.88	1.43	1.46	1.26
2 <sup>nd</sup> Quarter	n/a	n/a	1.71	1.71	1.52	1.42
3 <sup>rd</sup> Quarter	n/a	n/a	1.46	1.46	1.44	1.37
4 <sup>th</sup> Quarter	n/a	n/a	1.71	1.67	1.44	1.4

As of 11 July 2012, there were 669 shareholders of the 2,100,535,133 common shares issued and outstanding (net of 134,855,500 treasury shares). As of the close of trading on 11 July 2012, the Registrant's shares were traded at the price of ₱1.71 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 (₱300,000,000.00) 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 ₱188.52 million .



On June 4, 2008, the BOD increased the Company's authorized capital stock from ₱1.9B to ₱2.25B, 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! Corporation worth ₱89,415,629. In February 2008, the Parent Company distributed the property dividends declared.

There is no sale of unregistered securities within the past three (3) years.

As of 30 June 2012, the Company has 669 shareholders of its 2,100,535,133 common shares issued and outstanding (net of 134,855,500 treasury shares).

**Top 20 Shareholders as of 30 June 2012:**

	STOCKHOLDER'S NAME	TYPE OF SHARES	NO. OF SHARES	PERCENTAGE
1	PCD NOMINEE CORP.	Common	2,129,789,769.00	95.28%
2	PUA YOK BING	Common	23,862,500.00	1.07%
3	TRANS- ASIA SECURITIES, INC.	Common	6,830,000.00	0.31%
4	SYSMART CORPORATION	Common	5,000,000.00	0.22%
5	EAST PACIFIC INVESTORS CORPORATION	Common	4,520,000.00	0.20%
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	Common	4,351,000.00	0.19%
7	A. BROWN COMPANY, INC.	Common	3,441,250.00	0.15%
8	SYSMART CORP.	Common	3,428,375.00	0.15%
9	LUCIO W. YAN &/OR CLARA YAN	Common	3,406,250.00	0.15%
10	RICARDO L. NG	Common	1,624,375.00	0.07%
11	AGAPITO C. BALAGTAS, JR.	Common	1,437,500.00	0.06%
12	APRICINIA B. FERNANDEZ	Common	1,437,500.00	0.06%
13	SUZANNE LIM	Common	1,437,500.00	0.06%
14	HARLEY SY	Common	1,437,500.00	0.06%
15	CYGNET DEVELOPMENT CORPORATION	Common	1,406,250.00	0.06%
16	JERRY TIU	Common	1,365,625.00	0.06%
17	CAMPOS, LANUZA & CO., INC.	Common	1,161,500.00	0.05%
18	WILSON L. SY	Common	1,150,000.00	0.05%
19	DAVID GO SECURITIES CORP.	Common	935,000.00	0.04%
20	JOHN PETER YU &/OR JUAN YU	Common	800,000.00	0.04%

There is no acquisition, business combination or other reorganization that would affect the amount and percentage of present shareholdings of the Company's common equity owned beneficially by:

- (i) any beneficial owner of more than five percent (5%) of the Company's common equity;
- (ii) each director and nominee; and
- (iii) all directors and officers as a group, and the Company's present commitments to such persons with respect to the issuance of shares.

**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 2012 COMPARED TO THE FIRST QUARTER OF 2011

In millions	March 2012	December 2011	December 2010
<b>Balance Sheet</b>			
Assets	6,255.29	5,842.98	5,301.53
Liabilities	259.98	309.62	436.20
Stockholders' Equity	5,995.31	5,533.36	4,865.33
Book Value per Share as adjusted w/ 25% stock dividend & Treasury Shares	2.77	2.63	2.31
<b>Income Statement</b>			
Revenues	234.47	1,052.52	1,226.19
Expenses	120.97	511.79	508.84
Other Income / (Charges)	(1.04)	(10.91)	(0.73)
Net Income	102.31	529.82	716.62
Earnings per Share	0.05	0.25	0.33

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

Partial easing of global liquidity conditions in the first quarter, especially in Europe, has fueled investors' risk appetites and resulted to hefty gains in equities. In particular, the EU came up with twin solutions to address the debt crisis in the region: a fiscal pact that tackled the problems of highly-indebted EU countries, and a long-term refinancing operation of the ECB to provide liquidity to EU banks. Apart from the EU, the US Fed likewise announced that they are going to maintain near zero rates through 2014 coupled with a possibility of another round of quantitative easing. As a result, the S&P 500 and the MSCI World Index registered returns of 11.5% and 11.4% respectively for the first quarter of 2012 compared to 5.4% and 4.6% same period last year. Locally, the 30-company Philippine index gained 16.8% in 1Q12 compared to -3.5% same period last year. The Company's equity portfolio meanwhile posted returns of 14.9% in 1Q12 compared to 2.7% a year ago.

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

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

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

eBiz continue to achieve record money transfer volume, hitting over a million transactions worth in excess of USD 233 million for the first quarter of 2012. However, despite transaction growth, revenues fell 9.7% to Php 79.4 million due to the contractual reduction in the

Company's share of fees from Western Union and an appreciating currency. This decline in money transfer revenues was cushioned by revenues from other products which doubled to P11.7 million from P5.7 million same period last year. Meanwhile, operating expenses fell by 3% to Php 74.5 million as the company continued to rationalize its costs. After depreciation and taxes, eBiz posted a net income of Php 10.3 million for the first quarter of 2012, up 18% from Php 8.7 million same period last year.

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

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

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

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

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

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

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

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

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

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

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

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

##### *20% increase in money transfer service*

Mainly due to increase in volume of remittances during the period.

##### *16% decrease in internet sales and services*

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

*20% increase in interest income*

Mainly due to additional fixed income securities.

*63% decrease in trading gain/loss*

Mainly due to AFS selling transactions for the period.

*35% increase in mutual fund income*

Mainly due to increase in assets under administration.

*6% decrease in general and administrative expenses*

Largely due to management cost reduction effort.

*368% increase in cost of services and sales*

Mainly due to increase in volume in transactions during the period.

*20% decrease in depreciation and amortization*

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

Balance Sheet items - March 31, 2012 versus end 2011

*67% increase in cash and cash equivalents*

Mainly due to outstanding placements for the period ended.

*31% decrease in receivables*

Mainly due to Western Union transactions.

*23% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*

Primarily due to lower currency forward contracts.

*31% increase in prepaid taxes and other current assets*

Mainly due to higher amount paid for municipal permits for the current year.

*8% increase in available-for-sale securities*

Largely due to increase in equities and mutual fund investments.

*87% increase in deferred tax assets*

Additional set-up made for the period.

*13% increase in other non-current assets*

Mainly due to rental deposits paid for the current period.

*36% decrease in accounts payable and other current liabilities*

Mainly due to lesser outstanding dues to suppliers for the cut-off period.

*100% increase in notes payable*

One of the Company's subsidiaries entered into a loan agreement with a financial institution during the year.

*62% increase in income tax payable*

Mainly due to increase in revenues earned subject to tax and certain non-deductible expenses.

*10% decrease in deferred tax liabilities*

Decrease is due to lesser AFS acquired with less than or equal to 5 years of maturity from original issuance.

*5% decrease in accrued retirement cost*

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

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

Mainly due to revaluation of fixed income and equities securities.

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.

Key Performance Indicators	Unaudited 31-Mar-12	Audited 31-Dec-11	Audited 31-Dec-12
Current Ratio	6.2	4.87	5.3
Assets to Equity	1	1.1	1.1
Liabilities to Equity	0.04	0.1	0.1
Return on Average Assets	2.00%	9.50%	14.60%
Return on Average Equity	2.00%	10.20%	15.90%

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

Ratio	Formula
Current Ratio	Current Assets / Current Liabilities
Assets to Equity	Total Assets / Total Equity
Liabilities to Equity	Total Liabilities / Total Equity
Return on Average Assets	Net Income / Average Total Assets
Return on Average Equity	Net Income / Average Total Equity

## **RESULTS OF OPERATIONS FOR THE YEAR ENDED 2011 (Y2011 VS Y2010)**

<b>In Millions</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Balance Sheet</b>			
Assets	5,842.98	5,301.53	4,491.29
Liabilities	309.62	436.20	256.78
Stockholder's Equity	5,533.36	4,865.33	4,234.51
<b>Income Statement</b>			
Revenues	1,052.52	1,226.19	883.42
Expenses	511.79	508.84	511.30
Other Income / (Charges)	(10.91)	(0.73)	(6.93)
Net Income	529.82	716.62	365.19
Earnings per Share	0.25	0.33	0.16
<b>Key Performance Indicators</b>			
Current ratio (Current Assets/Current Liabilities)	4.88	5.29	5.32
Leverage Ratio (Total Debt/Total Equity)	0.06	0.09	0.09
Comprehensive Return on Equity (Comprehensive Income/Total Equity)	0.10	0.15	0.09
Book Value Per Share	2.48	2.18	1.85

The Company posted a consolidated net income of ₱529.8 Million and ₱716.6 million in 2011 and 2010 respectively. On a per share basis, this translates to a ₱0.25 income in 2011 compared to ₱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 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 2011 slid 3.7% to ₱357 million from ₱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 ₱4 million, as expenses declined to ₱354 million in 2011 from ₱358 million in 2010. However, because of weaker top line growth, 2011 net income fell 45.0% to ₱37 million from ₱67 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 ₱11.4 million from a net loss of ₱9.45 million in 2010.

Revenues in 2011 registered an 11% increase at ₱33.9 million, from ₱30.4 million in 2010. Biggest contribution to revenue came from Web Development and Digital PR Services with combined revenues of about ₱28 million. Digital Strategy services also contributed a respectable amount of ₱3.3 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 ₱30.2 million in 2010 to ₱17.8 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 ₱20 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] ₱2.2 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] ₱1.1 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 ₱43.6 million in 2009 to ₱69.7 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 ₱197 million in 2011 while total assets under management further increased to ₱4.9 billion as of end-2011 from ₱4.4 billion as of end-2010.

PEMI's operating expenses amounted to ₱25.0 million and ₱12.5 million in 2011 and 2010 respectively. This resulted to a net income of ₱23.6 million in 2010 from ₱16.3 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.

#### **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 amount 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 -Y2011 versus Y2010**

###### *11% increase in internet sales and services*

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

###### *26% decrease in money changing and foreign exchange*

Profit opportunities are not as attracted as last year.

###### *8% decrease in interest income*

Mainly due to selling a portion of fixed income securities.

###### *34% decrease in Trading gain*

Mainly due to selling of equity securities.

###### *50% increase in mutual fund income*

Mainly due to increase in assets under administration.

###### *5% increase in general and administrative expenses*

Mainly due to increase management cost.

###### *45% decrease in cost of services and sales*

Primarily due to decrease in internet sales and services.

##### **Balance Sheet items – Y2011 versus Y2010**

###### *31% decrease in cash and cash equivalents*

Primary due to lower short-term investments.

###### *101% increase in receivables*

Mainly due to Western Union transaction.

###### *24% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*

Primary due to lower currency forward contacts.



*10% increase in available-for-sale securities*

Largely due to increase on equities and mutual fund investments.

*14% decrease in property, plant and equipment*

Mainly due to depreciation cost and no major capital expenditure for this year.

*34% increase in accounts payable and other current liabilities*

Mainly due to increase in current operations.

*100% decrease of current portion of long term debt*

Mainly due to debt was fully paid this year.

*33% 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 2010 (Y2010 VS Y2009)**

The Company posted a consolidated net income of ₱716.6 million and ₱365.2 million in 2010 and 2009 respectively. On a per share basis, this translates to a ₱0.33 income in 2010 compared to ₱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 ₱371 million from ₱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 ₱19 million, as expenses declined to ₱358 million in 2010 from ₱377 million in 2009. Due to lower costs, net income in 2010 even grew 18.0% to ₱67 million from 56 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 ₱38 million in 2009 to ₱30.4 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 ₱19 million from ₱28 million in 2009. Likewise, Portal and E-commerce segment contributions decreased by ₱1.5 million. Only the Media Sales and Digital PR segments showed improvement in revenues. Media Sales revenues increased to ₱6 million in 2010 from ₱2.3 million in 2009 while Digital PR revenues marginally improved to ₱4.7 million in 2010 from ₱4.4 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 ₱41.5 million in 2009 to ₱30.2 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 ₱17 million in 2009 to ₱11.5 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 ₱23.5 million in 2009 to ₱28 million in 2010.

Yehey's investment in Media Contacts likewise reflected a loss of ₱3.1 million in 2010, thus, widening the gap of net loss from 2009.

### **Philequity Management, Inc.**

PEMI's 2010 revenues increased from ₱31.4 million in 2009 to ₱43.6 million. In line with the global economic recovery and improved business outlook locally, the mutual funds it manages posted net subscriptions of ₱750 million in 2010 while total assets under management further increased to ₱4.4 billion as of end-2010 from ₱2.5 billion as of end-2009.

PEMI's operating expenses amounted to ₱12.7 million and ₱10.5 million in 2010 and 2009 respectively. This resulted to a net income of ₱16.3 million in 2010 from ₱14.2 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.

#### **RESULTS OF OPERATIONS FOR THE YEAR ENDED 2009 (Y2009 vs Y2008)**

The Company posted a consolidated net income of ₱365 million, reversing the ₱436 million consolidated net loss registered in 2008. On a per share basis, this translates to a ₱0.16 income in 2009 compared to ₱0.19 loss in 2008.

After suffering from the worst financial crisis since the Great Depression, global asset markets recovered in 2009. The rebound can largely be attributed to the unprecedented fiscal stimulus from governments worldwide to avert a prolonged recession. The S&P 500 and the MSCI World Index were up 23% and 27% in 2009, respectively, compared to a drop of 39% and 42% in 2008, respectively. Local markets likewise staged a rebound wherein the Phisix gained 63% in 2009 compared to a 48% drop the previous year. The Company's equity portfolio posted a more modest gain of 31% after incurring a 27% loss in 2008.

Fixed income markets likewise stabilized as credit spreads narrowed and returned close to their pre-crisis levels. The Company's fixed income portfolio gained 11.3% in 2009, outperforming the HSBC Local Bond Index which rose 8.2% during the same period. In 2008, the same portfolio posted a loss of 1.2% compared to a 1.6% gain of the benchmark.

After a fantastic run-up of financial markets in 2009, the Company expects more modest returns in the equities and fixed income markets moving forward. It will continue to exercise prudence with respect to its investments especially in the face of uncertainties surrounding the 2010 national elections and a possible sovereign debt crisis in Europe.

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

##### **eBusiness Services, Inc.**

eBiz achieved another record volume in 2009, hitting over 3.5 million transactions worth in excess of USD 800 million. Transaction value grew 32% last year, far outpacing industry growth of 6%.

Revenues increased by 22% to ₱458 million in 2009 from ₱373 million in 2008. This was mainly due to a marketing campaign launched by eBiz during the latter part of 2008 to capture and convert clients of Western Union's former principal agent. USD/PHP was also higher on average: 47.64 in 2009 vs. 44.50 in 2008, raising eBiz revenues by 7%.

Operating Cost increased by 8% from ₱354 million to ₱381 million due to additional benefit given to employees and rationalizing higher service cost to service providers; while interest expense and bank charges declined by 51% to ₱9.8million from ₱20million, mainly due to better management of operating cash.

2009 posted a Net Income of ₱56.6 million from ₱10.0 million in 2008 brought about by fortifying risk management practices and raising operating efficiencies for the past two years.

After these actions, eBiz is now poised to expand its network of branches and take advantage of the growing remittance industry.

#### **Yehey! Corporation**

The Company posted revenues of ₱38 million for the whole year 2009, 3% lower than ₱39.2 million revenues posted for the year 2008. The decline in revenues was brought about by a general decline in advertising spend from 2008 to 2009. Revenues from media sales decreased by about 43%, from ₱4.0 million to ₱2.3 million. Web Development revenues, meanwhile, posted small growth of 2% from ₱28.4 million to ₱28.9 million. Portal revenues also decreased by 84% from ₱6 million in 2008 to ₱1.3 million in 2009, as the Company has been slowly been migrating systems from Regular Search to Vertical Search. The Portal Streams are likewise recently launched and are expected to yield higher page views and revenues in the next few months still. Despite said revenue decline in media sales, web development and portal revenues, the latest addition to the stream of revenues, Digital PR, posted revenues ₱4.4 million. E commerce revenues likewise increased by 44% from ₱0.66 million to ₱0.94 million

Cost and Operating Expenses increased by 9% from ₱60 million in 2008 to ₱66 million in 2009. Note that 2009 figures reflect the full cost of the expansion at approximately 65 employees, while 2008 figures still reflect pre-expansion cost with approximately 45 employees.

Although costs have been managed at minimum levels, revenues are not able to cover for the full costs resulting in a net loss of ₱16.5 million vis-à-vis net loss of ₱7.4 million in 2008. In 2009, however, income from Media Contacts of about ₱6.6 million has improved the bottom line of Yehey, bringing down the Net Loss to about ₱10 million.

#### **Philequity Management, Inc.**

PEMI's 2009 revenues slightly increased from ₱34.8 million in 2008 to ₱35.1 million. The mutual funds it manages posted net redemptions of ₱321 million in 2009 while total assets under management increased to ₱2.5 billion at end-2009.

PEMI manage to reduce its operating expense by 14.5% from ₱12.3 million in 2008 to ₱10.5 million in 2009. This resulted to a net income of ₱14.4 million in 2009 from ₱11.7 million in 2008.

#### **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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213-2-35\ABKTVCNDSOL\Lea

**ANNEX "J"**

SEC Registration Number

(Company's Full Name)

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

**(Contact Person)**

(Company Telephone Number)

Month \_\_\_\_\_ Day \_\_\_\_\_  
(Annual Meeting)

Secondary License Type, if Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

## Foreign

Total No. of Stockholders

File Number

Document ID

Cashier

Remarks: Please use BLACK ink for scanning purposes.



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

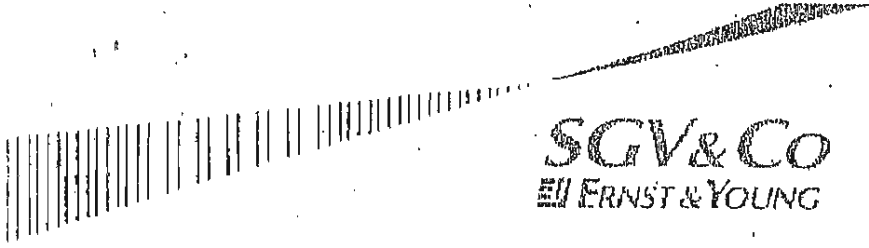
#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.





- 2 -

*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, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Vicky Lee Salas*

Vicky B. Lee-Salas

Partner

CPA Certificate No. 86838

SBC Accreditation No. 0115-AR-2 (Group A);

February 11, 2010, valid until February 10, 2013

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174802, January 2, 2012, Makati City

April 10, 2012



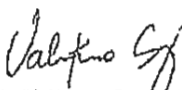


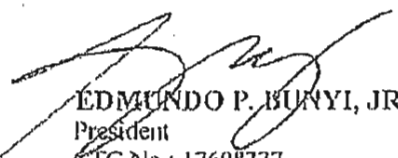
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

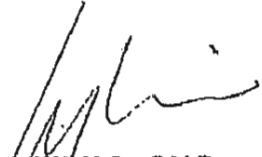
The management of Vantage Equities, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with the accounting principles generally accepted in the Philippines as prescribed in Note 2 to the financial statements. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

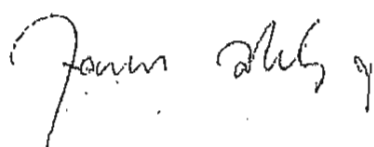
Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion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

  
**VALENTINO C. SY**  
Chairman  
CTC No.: 25977454  
February 23, 2012/Pasig City  
TIN: 122-335-536

  
**EDMUNDO P. BUNYI, JR.**  
President  
CTC No.: 17608337  
January 11, 2012/Munila  
TIN: 107-184-956

  
**JOSEPH L. ONG**  
Treasurer  
CTC No.: 05565079  
January 3, 2012/San Juan City  
TIN: 108-789-427

\_\_\_\_\_ JAN 2012  
SUBSCRIBED AND SWORN to me before this \_\_\_\_\_ at Pasig City, alliants  
exhibiting to me their Community Tax Certificates.

  
Doc. No. 320  
Page No. 68  
Book No. 95  
Series of 2012.

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

	December 31	
	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	P540,411,971	P778,376,824
Loans and receivables (Note 8)	824,397,007	409,798,441
Financial assets at fair value through profit or loss (Note 9)	86,739,792	114,861,429
Prepaid expenses and other current assets (Note 11)	13,899,226	20,970,304
<b>Total Current Assets</b>	<b>1,465,447,996</b>	<b>1,324,006,998</b>
<b>Noncurrent Assets</b>		
Available-for-sale investments (Note 10)	4,299,216,023	3,892,396,507
Investment in an associate and a joint venture (Note 12)	4,957,780	3,820,708
Property and equipment (Note 13)	44,331,659	51,698,209
Goodwill	3,654,985	3,654,985
Deferred tax assets (Note 25)	2,040,989	6,202,186
Other noncurrent assets (Note 14)	22,290,539	19,754,982
<b>Total Noncurrent Assets</b>	<b>4,376,491,975</b>	<b>3,977,527,577</b>
	<b>P5,841,939,971</b>	<b>P5,301,534,575</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 15)	P288,465,032	P215,142,448
Income tax payable	12,073,051	32,143,608
Current portion of long-term debt (Note 16)	-	2,925,490
<b>Total Current Liabilities</b>	<b>300,538,083</b>	<b>250,211,546</b>
<b>Noncurrent Liabilities</b>		
Retirement payable (Note 23)	7,030,626	6,809,806
Deferred tax liabilities (Note 25)	1,003,292	175,030,767
Asset retirement obligation (Note 17)	-	4,145,582
<b>Total Noncurrent Liabilities</b>	<b>8,033,918</b>	<b>185,986,155</b>
<b>Total Liabilities</b>	<b>308,572,001</b>	<b>436,197,701</b>
(Forward)		



	December 31	
	2011	2010
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 24)	₱2,235,390,633	₱2,235,390,633
Stock issuance cost of a subsidiary	(3,209,910)	(3,209,910)
Cumulative net unrealized gain on change in fair value of available-for-sale investments (Note 10)	558,384,899	420,177,574
Retained earnings	2,801,387,551	2,286,681,994
Treasury stock (Note 24)	(188,520,838)	(188,520,838)
	5,403,432,335	4,750,519,453
Non-controlling interest	129,935,635	114,817,421
Total Equity	5,533,367,970	4,865,336,874
	₱5,841,939,971	₱5,301,534,575

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
REVENUE (Note 18)	P1,052,517,622	P1,226,185,874	P883,421,970
COST OF SERVICES AND SALES (Note 19)	23,230,959	42,449,147	53,310,388
GROSS INCOME	1,029,286,663	1,183,736,727	830,111,582
GENERAL AND ADMINISTRATIVE EXPENSE (Note 20)	(488,549,521)	(466,378,537)	(457,992,512)
MARK-TO-MARKET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 9)	(3,523,955)	2,589,968	5,563,518
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND JOINT VENTURE (Note 12)	1,149,083	(3,104,763)	1,935,156
INTEREST EXPENSE AND BANK CHARGES	(2,569,793)	(1,733,020)	(3,561,964)
OTHER INCOME (Note 21)	25,344,520	46,200,190	23,755,434
INCOME BEFORE INCOME TAX	561,136,997	761,310,565	399,811,214
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	33,396,329	46,885,488	31,157,634
Final	2,189,811	1,071,976	164,965
Deferred	(4,272,914)	(3,269,159)	3,293,665
	31,313,226	44,688,305	34,616,264
NET INCOME	P529,823,771	P716,622,260	P365,194,950
Attributable to:			
Equity holders of the Parent Company	P514,705,557	P713,647,678	P361,430,972
Non-controlling interest	15,118,214	2,974,582	3,763,978
	P529,823,771	P716,622,260	P365,194,950
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 27)	P0.2450	P0.3344	P0.1619

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
<b>NET INCOME</b>	<b>P529,823,771</b>	<b>P716,622,260</b>	<b>P365,194,950</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Net changes in fair value of available-for-sale investments, net of tax (Note 10)	138,207,325	176,700,309	281,487,532
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P668,031,096</b>	<b>P893,322,569</b>	<b>P646,682,482</b>
Attributable to:			
Equity holders of the Parent Company	P652,912,882	P890,347,987	P642,918,504
Non-controlling interest	15,118,214	2,974,582	3,763,978
	<b>P668,031,096</b>	<b>P893,322,569</b>	<b>P646,682,482</b>

*See accompanying Notes to Consolidated Financial Statements*



**2011**  
**Attributable to Equity Holders of the Parent Company**

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

	Years Ended December 31		
	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P561,136,997	P761,310,565	P399,811,214
Adjustments for:			
Gain on sale of:			
Available-for-sale investments (Notes 10 and 18)	(333,150,050)	(504,049,829)	(141,910,113)
Financial assets at fair value through profit or loss	(304,992)	—	—
Property and equipment (Note 21)	(21,070)	(302,946)	(691,372)
Interest income (Note 18)	(125,477,127)	(114,324,691)	(112,821,679)
Dividend income (Note 18)	(35,610,251)	(45,775,827)	(61,716,274)
Depreciation and amortization (Notes 13 and 14)	22,852,071	32,526,632	40,576,185
Provision for credit and impairment losses (Note 20)	13,836,393	16,519,143	7,484,931
Net unrealized foreign exchange loss (gain)	756,336	21,303,159	(28,049,973)
Reversal of asset retirement obligation (Note 17)	(4,145,582)	—	—
Mark-to-market loss (gain) on financial assets at fair value through profit or loss (Note 9)	3,523,955	(2,589,968)	(5,563,518)
Recovery of allowance for credit losses (Note 8)	(2,172,113)	—	—
Interest expense and bank charges	2,569,793	1,733,020	1,318,699
Equity in net losses (earnings) of an associate and joint venture (Note 12)	(1,149,083)	3,104,763	1,935,156
Operating income before working capital changes	102,645,277	169,454,021	100,373,256
Decrease (increase) in:			
Loans and receivables	(109,440,407)	44,415,366	24,451,328
Prepaid expenses and other current assets	11,909,064	2,782,203	19,970,443
Other assets	—	—	(5,309,547)
Increase (decrease) in:			
Accounts payable and other current liabilities	72,656,716	1,497,557	(5,314,566)
Retirement payable	220,820	(852,728)	(1,317,568)
Net cash generated from operations	77,991,470	217,296,419	132,853,346
Interest received	110,577,878	121,203,650	169,074,716
Income tax paid	(65,345,603)	(31,140,945)	(21,001,951)
Net cash provided by operating activities	123,223,745	307,359,124	280,926,111

(Forward)



	Years Ended December 31		
	2011	2010	2009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Available-for-sale investments	P5,983,126,972	P3,026,884,130	P2,062,963,100
Financial assets at fair value through profit or loss	25,858,590	253,832,998	-
Property and equipment	401,200	2,959,890	361,217
Acquisitions of:			
Available-for-sale investments	(6,085,290,870)	(2,496,432,577)	(2,212,648,939)
Unquoted debt securities	(296,979,500)	-	-
Property and equipment (Note 13)	(15,865,651)	(14,148,103)	(33,137,990)
Financial assets at fair value through profit or loss	-	(88,507,950)	-
Mutual funds	-	(594,000,000)	-
Investments in an associate and joint venture (Note 12)	-	2,000,000	(10,751,664)
Dividends received	35,610,251	45,775,827	74,716,674
Increase in other noncurrent assets	(2,535,556)	(1,101,708)	(1,726,704)
Net cash provided by (used in) investing activities	(355,674,564)	137,262,507	(120,224,306)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Acquisition of treasury shares (Note 24)	-	(153,372,002)	(35,148,836)
Payments of:			
Long-term debt	(2,925,490)	(3,138,510)	(4,824,598)
Interest and bank charges	(2,569,793)	(1,893,608)	(14,701,646)
Bonds payable	-	-	(45,000,000)
Dividends to non-controlling interest	-	-	(12,495,000)
Cash used in financing activities	(5,495,283)	(158,404,120)	(112,170,080)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(18,751)	6,534,949	28,049,974
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(237,964,853)	292,752,460	76,581,699
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	778,376,824	485,624,364	409,042,665
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	P540,411,971	P778,376,824	P485,624,364

See accompanying Notes to Consolidated Financial Statements.





**VANTAGE EQUITIES, INC.  
AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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"):

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

\* Indirectly owned through e-Business

The Parent Company is the ultimate parent of the Group.

e-Business

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



eBiz Financial

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

iCurrencies

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

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

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

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

Yehey!

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

PEMI

PEMI was incorporated in the Philippines and is primarily engaged in management of mutual funds.

Approval and Authorization for Issuance of Financial Statements

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 10, 2012.

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## 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 each of the Parent Company and subsidiaries is the 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 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.

#### Related Party Transactions

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

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretation which were adopted as of January 1, 2011. The following new, amendments and improvements to existing PFRS and Interpretations, which became effective in January 1, 2011, did not have a significant impact on the accounting policies, financial position or performance of the Group.

#### *New and amended standards and interpretations*

##### *PAS 24, Related Party Transactions (Amendment)*

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

##### *PAS 32, Financial Instruments: Presentation (Amendment)*

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

##### *Philippine Interpretation IFRIC 14, Prepayments of a Minimum Funding Requirement (Amendment)*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset.

#### *Improvements to PFRSs 2010*

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

- PFRS 3, *Business Combination*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*



- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*
- Philippine Interpretation IFRIC13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

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

As of December 31, 2011 and 2010, 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 designated as at FVPL 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. Subsequent changes in fair value are recognized in 'Mark-to-market gain on financial assets at FVPL' 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 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.



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, 2011 pertaining to Unquoted debt securities under 'Loans and receivables'. The value of the bifurcated embedded derivatives is not significant. The Group has no bifurcated embedded derivatives as of December 31, 2010.

As of December 31, 2011 and 2010, the Group'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 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 unrealized gain in change 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.

#### 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. Subsequent 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 when the remittance service has been rendered which is when Western Union acknowledges the transaction.

*Trading gains*

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

*Interest Income*

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

*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.

*Management fee*

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

*Service Income*

Service income is recognized when the 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.

*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.

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

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

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

### Basic/Diluted Earnings (Loss) Per Share

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

### Provisions

#### General

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

#### Asset Retirement Obligation

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

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



#### Contingent Liabilities and Contingent Assets

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

#### Events after the Reporting Period

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

#### Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective 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 the date of issuance of the consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

#### *Effective in 2012*

##### *PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets*

The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

##### *PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 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 has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.



*Effective in 2013*

**PAS 19, *Employee Benefits* (Amendment)**

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

**PAS 27, *Separate Financial Statements* (as revised in 2011)**

As a consequence of the new PFRS 10, Consolidated Financial Statement and PFRS 12, Disclosure of Interests in Other Entities, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group will assess the impact of this standard as it becomes effective for annual periods beginning on or after January 1, 2013.

**PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)**

As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group will assess the impact of this standard as it becomes effective for annual periods beginning on or after January 1, 2013.

**PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements***

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

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

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

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



The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

*PFRS 10, Consolidated Financial Statements*

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

*PFRS 11, Joint Arrangements*

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

*PFRS 12, Disclosure of Interests with Other Entities*

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

*PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group will assess the impact of this standard as it becomes effective for annual periods beginning on or after January 1, 2013.

*Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

*Effective in 2014*

*PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group will assess the impact of this standard as it becomes effective for annual periods beginning on or after January 1, 2014.



*Effective in 2015*

*PFRS 9, Financial Instruments: Classification and Measurement*

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

*Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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**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) Going concern*

The management of the Group has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Group is not aware of any material uncertainties that may cast significant doubts upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.



b) *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.

c) *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.

d) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated 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 (Note 5).

e) *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.

f) *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 December 31, 2011 and 2010, 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, 2011 and 2010, receivables net of allowance for credit losses are disclosed in Note 8.

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. In 2011, the Company recognized impairment losses on unquoted equity investments (Note 10). No impairment loss was recognized in 2010. As of December 31, 2011 and 2010, the carrying value 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, 2011 and 2010, the carrying values of property and equipment are disclosed in Note 13. As of December 31, 2011 and 2010, 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 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. As of December 31, 2011 and 2010, the Group recognized allowance for impairment on its investment in FAUSI as disclosed in Note 12. The carrying values of investment in an associate and a joint venture as of December 31, 2011 and 2010 are disclosed in Note 12.

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.

Goodwill amounted to ₦3.65 million as of December 31, 2011 and 2010.

g) *Asset retirement obligation*

The determination of 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.

As of December 31, 2011 and 2010, asset retirement obligation is disclosed in Note 17.

h) *Retirement costs*

The determination of the Group's retirement cost is dependent on selection of certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 23 and include, among others, discount rates, rates of future salary increase, expected rate of return on plan assets and average remaining working lives of employees. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

As of December 31, 2011 and 2010, retirement payable is disclosed in Note 23.

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. The deferred tax assets and deferred tax liabilities recognized in the consolidated statements of financial position as of December 31, 2011 and 2010 are disclosed in Note 25. Deferred tax on temporary differences not recognized in the consolidated statements of financial position as of December 31, 2011 and 2010 are disclosed in Note 25.

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 (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 long-term debt. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and accounts payable and other current liabilities, which arise directly from its operations.

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

##### Credit Risk

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

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

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

As of December 31, 2011 and 2010, the Company's maximum exposure to credit risk is limited 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 current credit risk exposure 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:

	Neither Past Due nor Impaired	2011 Past Due but not Impaired				Subtotal	Impaired	Total
		Less than 150 Days	151-180 Days	181-360 Days	Over 360 Days			
Due from:								
Western Union	P347,017,898	P-	P-	P-	P-	P347,017,898	P-	P347,017,898
Brokers	48,291,151	-	-	-	-	48,291,151	-	48,291,151
Sub-agents	15,285,589	-	-	-	-	15,285,589	-	15,285,589
Affiliates	9,257,840	-	-	-	-	9,257,840	-	9,257,840
Business partners	3,195,168	-	-	-	-	3,195,168	-	3,195,168
Unquoted debt securities	296,979,500	-	-	-	-	296,979,500	-	296,979,500
Trade receivable	60,547,483	-	-	-	-	60,547,483	7,617,663	68,165,146
Receivable from advertising and web development services	4,156,810	-	-	-	-	4,156,810	29,511,309	33,668,119
Accrued interest	34,006,724	-	-	-	-	34,006,724	50,667	34,057,391
Advances to officers and employees	1,441,284	-	-	-	-	1,441,284	1,295,924	2,737,208
Other receivables	4,217,560	-	-	-	-	4,217,560	11,475,280	15,692,840
	P824,397,007	P-	P-	P-	P-	P824,397,007	P49,960,843	P874,357,850



	Neither Past Due nor Impaired	2010 Past Due but not Impaired				Subtotal	Impaired	Total
		Less than 150 Days	151-180 Days	181-360 Days	Over 360 Days			
Due from:								
Western Union	P219,411,908	P301,336	P200,390	P-	P-	P219,913,834	P-	P219,913,834
Brokers	57,894,336	-	-	-	-	57,894,336	-	57,894,336
Sub-agents	17,047,454	-	-	-	-	17,047,454	-	17,047,454
Affiliates	11,396,487	-	-	-	-	11,396,487	-	11,396,487
Business partners	16,921,672	-	-	-	-	16,921,672	-	16,921,672
Trade receivable	-	-	-	-	-	-	7,627,663	7,627,663
Receivable from advertising and web development services	16,046,394	824,447	288,980	680,453	-	17,840,274	32,699,747	50,540,021
Accrued interest	19,158,142	-	-	-	-	19,158,142	-	19,158,142
Advances to officers and employees	140,251	-	-	-	1,103,290	1,243,541	321,048	1,564,589
Miscellaneous assets	28,002,056	-	-	-	-	28,002,056	-	28,002,056
Other receivables	13,545,690	-	-	-	-	13,545,690	9,760,608	23,306,298
	P399,564,390	P1,125,783	P489,370	P680,453	P1,103,290	P402,963,486	P50,409,666	P453,372,552

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

	2011			Total
	Grade A	Grade B	Grade C	
Cash and cash equivalents*	P365,449,798	P-	P-	P365,449,798
Loans and receivables:				
Due from:				
Western Union	342,695,519	-	4,322,379	347,017,898
Broker	48,291,151	-	-	48,291,151
Sub-agents	15,285,589	-	-	15,285,589
Affiliates	9,458,877	-	-	9,458,877
Business partners	-	3,252,237	-	3,252,237
Unquoted debt securities	296,979,500	-	-	296,979,500
Trade receivable	60,547,483	-	-	60,547,483
Receivable from advertising and web development services	-	4,156,810	-	4,156,810
Accrued interest	34,006,724	-	-	34,006,724
Advances to officers and employees	992,125	-	-	992,125
Others	-	4,217,560	-	4,217,560
AFS investments:				
Quoted:				
Government bonds	1,535,603,049	-	-	1,535,603,049
Equity securities	1,270,721,653	-	-	1,270,721,653
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
Gold 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")	18,656,517	-	-	18,656,517
	P5,578,319,098	P11,626,607	P4,322,379	P5,594,268,084

\*Excluding cash on hand.



	2010			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	P551,873,517	P-	P-	P551,873,517
Loans and receivables:				
Due from:				
Western Union	219,411,908	-	501,926	219,913,834
Broker	57,894,336	-	-	57,894,336
Sub-agents	17,047,454	-	-	17,047,454
Affiliates	11,396,487	-	-	11,396,487
Business partners	-	16,921,672	-	16,921,672
Receivable from advertising and web development services		17,840,274	-	17,840,274
Accrued interest	19,158,142	-	-	19,158,142
Advances to officers and employees	1,243,541	-	-	1,243,541
Miscellaneous assets	28,002,056	-	-	28,002,056
Others	-	13,545,690	-	13,545,690
AFS Investments:				
Quoted:				
Government bonds	1,007,897,993	-	-	1,007,897,993
Equity securities	1,145,316,846	-	-	1,145,316,846
Corporate bonds	60,815,495	-	-	60,815,495
Unquoted:				
Corporate bonds	787,717,662	-	-	787,717,662
Equity securities	207,296	-	-	207,296
Mutual fund	889,871,215	-	-	889,871,215
Golf shares	570,000	-	-	570,000
Financial assets at FVPL:				
Corporate bond	89,647,319	-	-	89,647,319
Nondeliverable forward	25,214,110	-	-	25,214,110
Deposits (included in "Other noncurrent assets")	15,461,812	-	-	15,461,812
	P4,928,747,189	P48,307,636	P501,926	P4,977,556,751

\*Excluding cash on hand.

Grade A financial assets pertains to those investments to counterparties with 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 being deposited with reputable banks.

AFS investments are classified as Grade A since these mostly pertains to investments in listed companies and government-issued bonds.

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.

#### 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 Company's financial instruments based on contractual undiscounted payments:

	2011						Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years		
<b>Financial Assets</b>							
Cash and cash equivalents	P71,438,116	P287,699,554	P-	P-	P-		P359,137,670
<b>Loans and receivables</b>							
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
Affiliates	9,257,839	-	-	-	-		9,257,839
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	7,627,663	60,547,483	-	-	-		68,175,146
Receivable from advertising and web development services	33,668,119	-	-	-	-		33,668,119
Accrued interest	-	29,143,132	4,914,259	-	-		34,057,391
Advances to officers and employees	2,737,208	-	-	-	-		2,737,208
Others	15,692,480	-	-	-	-		15,692,480
<b>AFS Investments</b>							
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
Equity security	207,296	-	-	-	-		207,296
Mutual funds	1,200,402,459	-	-	-	-		1,200,402,459
Golf Shares	570,000	-	-	-	-		570,000
Future interest	-	3,437,979	62,282,688	349,024,150	834,697,599		1,249,442,416
<b>Financial assets at FVPL:</b>							
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
<b>Other non-current assets</b>							
Receivables	96,592,600	-	-	-	-		96,592,600
Deposits	-	-	-	18,656,517	-		18,656,517
	P2,712,110,601	P793,295,643	P200,773,400	P987,987,147	P2,376,917,594		P7,071,084,385
<b>Financial Liabilities</b>							
<b>Accounts payable and other liabilities</b>							
Due to sub-agents and brokers	P-	P135,273,271	P-	P-	P-		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
	P-	P158,973,143	P103,569,287	P-	P-		P262,542,430



	2010					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	P45,271,649	P506,601,868	P-	P-	P-	P551,873,517
<b>Loans and receivables</b>						
Due from Western Union	-	219,913,834	-	-	-	219,913,834
Broker	-	57,894,336	-	-	-	57,894,336
Sub-agents	-	17,047,454	-	-	-	17,047,454
Affiliates	11,396,487	-	-	-	-	11,396,487
Business partners	16,291,672	-	-	-	-	16,291,672
Trade	7,627,663	-	-	-	-	7,627,663
Receivable from advertising and web development services	17,840,274	-	-	-	-	17,840,274
Accrued interest	-	11,739,772	7,418,370	-	-	19,158,142
Advances to officers and employees	1,243,541	-	-	-	-	1,243,541
Miscellaneous assets	-	28,002,056	-	-	-	28,002,056
Others	23,306,298	-	-	-	-	23,306,298
<b>AFS Investments</b>						
Quoted:						
Government bonds	-	-	-	211,985,850	795,912,143	1,007,897,993
Corporate bonds	-	-	-	-	60,815,495	60,815,495
Equity securities	1,145,316,846	-	-	-	-	1,145,316,846
Unquoted:						
Corporate bonds	-	-	382,191,521	345,205,624	60,320,517	787,717,662
Equity security	207,296	-	-	-	-	207,296
Mutual funds	889,871,215	-	-	-	-	889,871,215
Golf Shares	570,000	-	-	-	-	570,000
Future interest	-	4,858,987	69,294,286	250,742,333	508,963,131	833,858,737
<b>Financial assets at FVPL:</b>						
Corporate bonds	-	-	-	89,647,319	-	89,647,319
Derivative assets	-	20,867,353	4,346,757	-	-	25,214,110
Future interest	-	333,184	3,350,350	10,180,622	-	13,864,156
Other non-current assets	-	-	-	-	-	-
Receivables	96,592,600	-	-	-	-	96,592,600
Deposits	-	-	-	15,461,812	-	15,461,812
	P2,255,535,541	P867,258,844	P466,601,284	P923,223,560	P1,426,011,286	P5,938,630,515

	2010					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Liabilities</b>						
<b>Accounts payable and other liabilities</b>						
Due to sub-agents and brokers	P-	P99,691,906	P-	P-	P-	P99,691,906
Accrued expenses	-	-	70,213,338	-	-	70,213,338
Trade	-	8,777,627	-	-	-	8,777,627
Derivative liability	-	17,484,757	3,186,182	-	-	20,670,939
	P-	P125,954,290	P73,399,520	P-	P-	P199,353,810

#### 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 (effect on equity) and fixed rate financial assets at FVPL (effect on income) 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.

The table below shows simple sensitivity analysis as of December 31, 2011 and 2010, respectively:

Change in Basis Points	2011		2010	
	Effect on Equity	Effect on Income	Effect on Equity	Effect on Income
Increase by 100	(P119,286,481)	(P867,225)	(P69,177,512)	(P1,680,909)
Decrease by 100	132,830,826	880,397	76,198,671	1,722,588

#### 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:

	2011	2010
Cash and cash equivalents	\$1,772,349	US\$3,614,466
Receivables	7,915,554	4,898,642
AFS investments	3,227,449	3,393,209
Financial assets at FVPL - Corporate bonds	1,976,000	2,044,875
Marginal deposit	-	638,733
Advances/deposits to sub-agents	-	1,952
	\$14,891,352	14,591,877
Accounts payable and other current liabilities	976,130	1,075,889
Net foreign currency-denominated assets	\$13,915,222	US\$13,515,988

	2011	2010
Cash and cash equivalents	US\$1,778,205	US\$3,614,466
Receivables	7,815,363	4,898,642
AFS investments	3,277,449	3,393,209
Financial assets at FVPL - Corporate bonds	1,976,000	2,044,875
Marginal deposit	-	638,733
Advances/deposits to sub-agents	4,300	1,952
	14,851,317	14,591,877
Accounts payable and other current liabilities	979,380	1,075,889
Net foreign currency-denominated assets	13,871,937	13,515,988
Currency forwards	(13,450,000)	(15,550,000)
Net exposure	US\$421,937	(US\$2,034,012)

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was P43.84 to US\$1 as of December 31, 2011 and 2010.



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

	2011		2010	
	Change in Foreign Exchange Rate	Effect on Net Income before Tax	Change in Foreign Exchange Rate	Effect on Net Income before Tax
Increase	+0.84%	(P155,381)	+1.01%	P900,628
Decrease	-0.84%	155,381	-1.01%	(900,628)

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 the result of changes in the value of individual stocks. The Group's exposure to equity price risk relates primarily to the Group's quoted AFS investments.

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

	2011		2010	
	% Variance on Equity Price	Effect on Equity	% Variance on Equity Price	Effect on Equity
Increase	+2.706%	P60,588,021	+3.690%	P63,404,765
Decrease	-2.706%	(60,588,021)	-3.690%	(P63,404,765)

#### Capital Management

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

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

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

The debt-to-equity ratio as of December 31, 2011 and 2010 are as follows:

	2011	2010
	P	P
Total debt (a)		
Total equity (b)	4,972,618,801	4,445,159,300
Debt-to-equity ratio (a/b)	0.00:1.00	0.00:1.00





## 5. Fair Value of Financial Instruments

The carrying values of financial assets and liabilities as of December 31, 2011 and 2010 under each category are shown below:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Loans and receivables:</b>				
Cash and cash equivalents	P540,411,971	P540,411,971	P778,376,824	P778,376,824
Receivables	824,397,007	821,982,570	409,798,441	409,798,441
Deposits (included under 'Other noncurrent assets')	18,656,517	18,656,517	15,461,812	15,461,812
	<b>1,383,465,495</b>	<b>1,381,051,058</b>	<b>1,203,637,077</b>	<b>1,203,637,077</b>
<b>AFS Investments:</b>				
Quoted:				
Government bonds	1,535,603,049	1,535,603,049	1,007,897,993	1,007,897,993
Equity securities	1,270,721,653	1,270,721,653	1,145,316,846	1,145,316,846
Corporate bonds	55,568,743	55,568,743	60,815,495	60,815,495
Unquoted:				
Corporate bonds	292,950,592	292,950,592	787,717,662	787,717,662
Equity securities	—	—	207,296	207,296
Mutual fund	1,143,801,986	1,143,801,986	889,871,215	889,871,215
Golf shares	570,000	570,000	570,000	570,000
	<b>4,299,216,023</b>	<b>4,299,216,023</b>	<b>3,892,396,507</b>	<b>3,892,396,507</b>
<b>Financial assets at FVPL:</b>				
Designated at FVPL	86,827,840	86,827,840	89,647,319	89,647,319
Derivative assets	111,952	111,952	25,214,110	25,214,110
	<b>86,939,792</b>	<b>86,939,792</b>	<b>114,861,429</b>	<b>114,861,429</b>
	<b>P5,769,621,310</b>	<b>P5,767,206,873</b>	<b>P5,210,895,013</b>	<b>P5,210,895,013</b>

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Other financial liabilities:</b>				
Accounts payable and other current liabilities*	P262,542,430	P262,542,430	P199,353,810	P199,353,810
Long-term debt (including current portion)	—	—	2,925,490	2,764,107
	<b>P262,542,430</b>	<b>P262,542,430</b>	<b>P202,279,300</b>	<b>P202,117,917</b>

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

### Cash and Cash Equivalents, Receivables (excluding Unquoted debt securities), and Accounts Payable and Other Current Liabilities

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 effective interest rate.

*Derivative Instruments (included under FVPL)*

Fair values are estimated based on quoted market prices provided by independent parties or accepted valuation models (either based on discounted cash flow techniques or option pricing models, as applicable).

*Long-term Debt*

The fair value was obtained by discounting the financial instruments' expected cash flows using the prevailing credit-adjusted MART 1 rates as of December 31, 2010.

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, 2011 and 2010 follows:

	2011		Total
	Level 1	Level 2	
Available-for-sale investments (Note 10)			
Quoted:			
Government bonds	P1,535,603,049	P-	P1,535,603,049
Equity securities	1,270,721,653	-	1,270,721,653
Corporate bonds	55,568,743	-	55,568,743
Mutual fund	1,143,801,986	-	1,143,801,986
Unquoted:			
Corporate bonds	-	292,950,592	292,950,592
Financial assets at FVPL (Note 9)			
Corporate bonds	86,627,840	-	86,627,840
Nondeliverable forward	-	111,952	111,952
	P4,092,323,271	P293,062,544	P4,385,385,815
Financial liabilities at FVPL (Note 15)			
Derivative liabilities	P-	P777,820	P777,820



	2010		Total
	Level 1	Level 2	
Available-for-sale investments (Note 10)			
Quoted:			
Government bonds	P1,007,897,993	P-	P1,007,897,993
Corporate bonds	60,815,495	-	60,815,495
Equity securities	1,145,316,846	-	1,145,316,846
Mutual fund	889,871,215	-	889,871,215
Unquoted:			
Corporate bonds	-	787,717,662	787,717,662
Financial assets at FVPL (Note 9)			
Corporate bonds	89,647,319	-	89,647,319
Nondeliverable forward	-	25,214,110	25,214,110
	P3,193,548,868	P812,931,772	P4,006,480,640
Financial liabilities at FVPL (Note 15)			
Derivative liabilities	P-	P20,670,939	P20,670,939

There were no transfers made among the three levels in the fair value hierarchy in 2011 and 2010.

#### 6. Segment Information

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

- a. Investment holdings  
The investment holdings segment deals in the acquisition and sale of financial instruments.
- b. Remittance services  
The remittance services segment provides the infrastructure and services as the largest direct agent for money transfer of Overseas Filipino Workers. Beyond the remittance business, this segment facilitates the fulfillment of e-commerce transactions and serves as a payment platform for any Business to Business (B2B) or Business to Customers (B2C) initiative.
- c. Internet services  
The internet services segment is engaged in the business of internet online-related products relating to a database search engine. It also provides enterprise and consumer solutions via products of the internet.
- d. Mutual fund management  
This segment deals in the management of mutual funds.

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:

	2011					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings Information</b>						
Revenues	P472,667,565	P462,058,902	P45,852,448	P72,169,928	(P231,221)	P1,052,517,622
Equity in net loss of an associate/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
Provision for income tax	(4,401,140)	24,154,778	217,764	11,341,824	-	31,313,226
Net income (loss) attributable to equity holders of the Parent Company	456,394,862	36,724,102	7,656,386	13,930,207	-	514,705,557
<b>Other Information</b>						
Segment assets	5,194,243,526	682,530,537	261,433,225	181,977,154	(478,244,471)	5,842,984,753
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	73,459,785	(43,355,610)	29,525,544	41,946,936	21,647,090	123,223,745
Investing activities	(433,929,191)	(9,399,636)	(18,478,538)	59,875,080	46,257,721	(355,674,564)
Financing activities	-	13,157,634	-	-	(18,652,917)	(5,495,283)

	2010					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings Information</b>						
Revenues	P1,053,873,085	P432,487,965	P30,406,652	P43,623,335	(P389,725,138)	P1,170,665,899
Equity in net loss of an associate/joint venture	-	-	3,104,763	-	-	3,104,763
Depreciation and amortization	5,660,827	22,310,208	3,595,102	960,495	-	32,526,632
Interest expense and bank charges	147,982	4,626,125	11,931	-	(3,053,018)	1,733,020
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
<b>Other Information</b>						
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	31,222,737	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	401,886,315	209,330,094	12,542,608	16,414,743	(332,814,636)	307,359,124
Investing activities	236,925,040	(23,731,099)	(11,954,715)	1,055,269	(65,031,988)	137,262,507
Financing activities	(153,372,002)	(380,632,117)	-	-	375,599,999	(158,404,120)



	2009					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings Information</b>						
Revenues	P337,255,868	P457,725,962	P49,319,657	P35,130,390	(P37,736,284)	P841,695,593
Equity in net income of an associate/joint venture	-	-	1,935,156	-	-	1,935,156
Depreciation and amortization	6,403,234	26,181,930	6,596,007	1,395,014	-	40,576,185
Interest expense and bank charges	38,911	9,844,758	43,851	1,700	(6,367,256)	3,561,964
Provision for income tax	5,009,826	23,628,336	295,813	5,682,289	-	34,616,264
Net income (loss) attributable to equity holders of the Parent Company	329,861,544	56,626,177	(6,940,305)	7,262,546	(25,378,990)	361,430,972
<b>Other Information</b>						
Segment assets	3,981,572,090	917,666,556	275,011,507	69,003,480	(751,961,943)	4,491,291,690
Segment liabilities	146,129,009	596,317,381	31,436,005	1,549,976	(409,526,988)	365,905,383
Costs to acquire property and equipment	917,894	29,423,920	2,751,451	1,638,509	-	34,731,774
Net cash flows provided by (used in):						
Operating activities	495,952,642	148,183,422	(818,370)	18,983,996	(381,375,579)	280,926,111
Investing activities	(483,078,129)	(29,186,223)	(3,401,755)	8,941,801	386,500,000	(120,224,306)
Financing activities	(35,148,836)	(46,396,823)	-	(25,500,000)	(5,124,421)	(112,170,080)

## 7. Cash and Cash Equivalents

This account consists of:

	2011	2010
Cash on hand	P181,274,301	P226,503,307
Cash in banks	71,438,116	45,271,649
Short-term investments	287,699,554	506,601,868
	<b>P540,411,971</b>	<b>P778,376,824</b>

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. Interest income from cash and cash equivalents amounted to P11.53 million, P13.85 million and P14.93 million in 2011, 2010 and 2009, respectively (Note 18).



## 8. Loans and receivables

This account consists of:

	2011	2010
Due from:		
Western Union	₱347,017,898	₱219,913,834
Broker	48,291,151	57,894,336
Sub-agents	15,285,589	17,047,454
Affiliates	9,257,840	11,396,487
Business partners	3,195,168	16,921,672
Unquoted debt securities	296,979,500	—
Trade receivable	68,175,146	7,627,663
Receivable from advertising and web development services	33,668,119	50,540,021
Accrued interest	34,057,391	19,158,142
Advances to officers and employees	2,737,208	1,564,589
Miscellaneous assets	—	28,002,056
Others	15,692,840	23,306,298
	874,357,850	453,372,552
Less allowance for credit losses	49,960,843	43,574,111
	₱824,397,007	₱409,798,441

\*Miscellaneous assets represent marginal deposits refundable after settlement of non deliverable forwards

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 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 (Note 15).

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 US dollar or in an equivalent amount of Philippine peso calculated at the foreign exchange period end rate. The Group bifurcated the embedded derivatives as of December 31, 2011 pertaining to these unquoted debt securities. The value of the bifurcated embedded derivatives is not significant.

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 generally have one to four days' term.
- Due from brokers pertains to the amount collectible for purchase and sale of quoted equity securities. This is noninterest-bearing and is usually collectible within three days.



- 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.
- Accrued interests 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.

The movements of allowance for credit losses are as follows:

2011				
	Receivable from advertising and web development services	Advances to officers and employees	Trade and other receivables	Total
Balance at beginning of year	P26,692,736	P321,048	P16,560,327	P43,574,111
Provision for credit losses (Note 20)	2,818,573	974,876	4,765,396	8,558,845
Recovery of allowance	-	-	(2,172,113)	(2,172,113)
Balance at end of year	P29,511,309	P1,295,924	P19,153,610	P49,960,843
Specific assessment	P29,511,309	P1,295,924	P19,153,610	P49,960,843
Gross amount of loans and receivables individually impaired	P29,511,309	P1,295,924	P19,153,610	P49,960,843

2010				
	Receivable from advertising and web development services	Advances to officers and employees	Trade and other receivables	Total
Balance at beginning of year	P12,593,164	P321,048	P16,560,327	P29,474,539
Provision for credit losses (Note 20)	16,519,143	-	-	16,519,143
Accounts written-off	(2,419,571)	-	-	(2,419,571)
Balance at end of year	P26,692,736	P321,048	P16,560,327	P43,574,111
Specific assessment	P26,692,736	P321,048	P16,560,327	P43,574,111
Gross amount of loans and receivables individually impaired	P32,699,747	P321,048	P17,388,271	P50,409,066



## 9. Financial Assets at FVPL

This account consists of investments in:

	2011	2010
Designated at FVPL		
Corporate bonds	₱86,627,840	₱89,647,319
Derivative asset		
Currency forward contracts	111,952	25,214,110
	<u>₱86,739,792</u>	<u>₱114,861,429</u>

### Corporate bonds

This account pertains to the Group's investment in a puttable bond exercisable on January 19, 2011 with a coupon rate of 8% amounting to US\$1.90 million due on January 18, 2013. The Group did not exercise the right to sell the bonds back to the issuer at 100% of their principal amount on January 19, 2011. This investment is designated at FVPL since this is managed on a total return basis.

### Currency Forward Contracts

This account pertains to forward contracts entered into by the Group to economically hedge the foreign exchange risk on the aforementioned corporate bonds and to engage in onshore-offshore arbitrage transactions. The Group's outstanding currency forward contract used in hedging has an aggregate notional amount of US\$5.40 million and US\$7.70 million as of December 31, 2011, and 2010, respectively. The weighted average forward contract rate is ₱43.79 to US\$1 and ₱45.87 to US\$1 on February 28, 2012 and April 25, 2011, respectively. The Group is in a sell US dollar position.

In 2010, the Group entered into forward contracts used in arbitrage with aggregate notional amount of \$90.00 million for both buy and sell USD positions as of December 31, 2010. The weighted average forward contract rate for both buy and sell positions is ₱43.64 to US\$1 and ₱43.70 to US\$1, respectively, to be valued on April 25, 2011.

The positive and negative fair values of the currency forwards as of December 31, 2010 are classified as 'Derivative asset' under 'Financial assets at FVPL' and 'Derivative liability' under 'Accounts payable and other current liabilities', respectively, in the 2011 and 2010 consolidated statements of financial position.

In 2011, the Group recognized mark-to-market loss from its financial instruments held at FVPL amounting to ₱3.52 million while mark-to-market gain amounting to ₱2.59 million and ₱5.56 million in 2010 and 2009, respectively.





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

Derivative Assets	2011	2010
Balance at beginning of year	P25,214,110	P15,555,176
Fair value changes	62,753,443	48,205,552
Settled transactions	(87,855,601)	(38,546,618)
Balance at end of year	P111,952	P25,214,110
Derivative Liabilities		
Balance at beginning of year	P20,670,939	P1,920,000
Fair value changes	49,210,705	30,596,939
Settled transactions	(69,103,824)	(11,846,000)
Balance at end of year (Note 15)	P777,820	P20,670,939

#### 10. Available-For-Sale Investments

This account consists of investments in:

	2011	2010
Quoted:		
Government bonds	P1,535,603,049	P1,007,897,993
Equity securities	1,270,721,653	1,145,316,846
Corporate bonds	55,568,743	60,815,495
Unquoted:		
Corporate bonds	292,950,592	787,717,662
Equity securities	207,296	207,296
Mutual funds	1,143,801,986	889,871,215
Golf shares	570,000	570,000
	4,299,423,319	3,892,396,507
Allowance for impairment losses	(207,296)	-
	P4,299,216,023	P3,892,396,507

As of December 31, 2011 and 2010, government bonds consist of Philippine domestic sovereign bonds and USD-denominated bonds issued by Republic of the Philippines and Republic of Indonesia, respectively. Corporate bonds are USD-denominated bonds.

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

Unquoted equity security represents long-term investment of the Company and is not actively traded in the market. In 2011, the Group assessed these unquoted equity securities to be impaired and charged P0.21 million under 'Provision for credit and impairment losses'. No impairment loss was recognized in 2010.

Unquoted debt securities represent long-term investments of the Group in bond issued by private companies that are not actively traded in the market. The Group does not intend to sell these securities in the near future.



Income recognized from the sale of AFS investments are as follows:

	2011	2010	2009
Equity Securities	P218,808,123	P438,929,839	P135,951,113
Bonds	84,935,046	65,119,990	5,959,000
Mutual Funds	29,406,881	-	-
	<b>P333,150,050</b>	<b>P504,049,829</b>	<b>P141,910,113</b>

In 2011 and 2010, peso-denominated AFS investments bear nominal annual interest rates ranging from 5.88% to 9.13%.

In 2011 and 2010, foreign currency-denominated AFS investments bear nominal annual interest rates ranging 5.50% to 7.50% and from 5.25% to 7.50%, respectively.

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 and in the consolidated statements of changes in equity, are as follows:

	2011	2010
Balance at beginning of year	P587,388,710	P352,606,618
Fair value changes taken to equity	305,149,531	738,831,921
Amounts taken to profit or loss (Note 18)	(333,150,050)	(504,049,829)
Net change in fair value for the year	(28,000,519)	234,782,092
Balance at end of year	559,388,191	587,388,710
Tax effect (Note 25)	(1,003,292)	(167,211,136)
Balance at end of year, net of tax	<b>P558,384,899</b>	<b>P420,177,574</b>

# 11. Prepaid Expenses and Other Current Assets

This account consists of:

	2011	2010
Prepaid expenses	P6,500,670	P14,119,604
Input value-added tax	6,733,312	4,567,528
Creditable withholding tax	3,335,870	2,283,172
Others	2,165,200	-
	<b>P18,735,052</b>	<b>P20,970,304</b>
Less allowance for impairment losses	4,835,826	-
	<b>P13,899,226</b>	<b>P20,970,304</b>



## 12. Investment in an Associate and a Joint Venture

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

	Ownership	2011	2010
Acquisition costs:			
Associate			
FAUSI	25%	₱300,000	₱300,000
Joint Venture			
Media Contacts, Inc.	50	4,836,800	4,836,800
		5,136,800	5,136,800
Allowance for impairment		(180,772)	(168,761)
		4,956,028	4,968,039
Accumulated equity in net earnings			
(losses):			
Balance at beginning of year		(1,147,331)	1,957,432
Equity in net earnings (losses)		1,149,083	(3,104,763)
Balance at end of year		1,752	(1,147,331)
		₱4,957,780	₱3,820,708

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

	2011	2010
Balance at beginning of year	₱168,761	₱149,386
Provision for impairment losses	12,011	19,375
Balance at end of year	₱180,772	₱168,761

Investment in an associate represents e-Business' 25.0% ownership in 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. As of December 31, 2011 and 2010, the BOD has not yet made any decision as to the future operations or existence of FAUSI. These conditions indicate the existence of a material uncertainty which may cast significant doubt about FAUSI's ability to continue as a going concern.

On October 27, 2008, the Group entered into a joint venture contract with Media Contacts, S.A. to create of a new company named Media Contacts, Inc. 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 Group shall not engage in the buying of media time or space for its clients. The initial investment of the Group comprised of share holdings in the joint venture which amounted to ₱4.8 million while Media Contacts, S.A.'s subscribed and paid for shares of the same amount.



On April 17, 2009, the Group entered into a joint venture contract with Havoc Digital, Inc. to create a new company named Tarantula Digital Media, Inc. The purpose of this joint venture is to engage in the business of media planning and buying online advertising and related services including search engine marketing. The initial investment of the Group comprised of cash which amounted to ₱2.0 million while Havoc Digital, Inc.'s initial investment comprised of cash of the same amount. As of December 31, 2009, Tarantula Digital Media, Inc. remains to be registered in the SEC.

On August 13, 2010, Tarantula Digital Media, Inc. returned to the Group its initial cash investment of ₱2.0 million since the joint venture contract has been terminated.

Summary of Financial Information of FAUSI:

	2011	2010
Total assets	₱858,004	₱861,852
Total liabilities	393,104	336,898
Net loss	60,054	75,405

FAUSI has nil revenues in 2011 and 2010.

Summary of Financial Information of Media Contacts, Inc.

	2011	2010
Total assets	₱35,082,687	₱20,716,562
Total liabilities	20,862,286	13,337,624
Revenues	29,806,663	9,765,068
Net income (loss)	6,841,463	(52,316)

**13. Property and Equipment**

This account consists of:

	2011						
	Furniture and Fixtures	Office Improvements	Transportation Equipment	Office Condominiums	Server and Network Equipment	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱116,184,291	₱10,517,702	₱21,200,636	₱37,756,690	₱8,534,935	₱125,913,426	₱330,107,680
Additions	5,261,595	-	2,827,293	-	701,973	7,074,790	15,865,651
Disposals/reclassification	(1,343,186)	-	(4,833,339)	-	-	(2,884,506)	(9,061,031)
Balance at end of year	120,102,700	10,517,702	19,194,590	37,756,690	9,236,908	130,103,710	326,912,300
Accumulated Depreciation and Amortization							
Balance at beginning of year	99,053,873	9,878,379	13,000,903	17,295,367	7,892,545	121,987,904	268,109,471
Depreciation and amortization (Notes 19 and 20)	13,065,015	521,591	2,934,019	2,280,143	1,030,559	2,239,471	22,072,098
Disposals	(1,343,097)	-	(3,673,215)	-	-	(2,884,506)	(7,900,828)
Balance at end of year	110,775,791	10,401,470	12,261,697	19,575,510	8,223,404	121,342,869	282,580,641
Net Book Value	₱9,326,909	₱116,232	₱6,932,893	₱18,181,180	₱1,013,504	₱8,760,841	₱44,331,659



	2010						
	Furniture and Fixtures	Office Improvements	Transportation Equipment	Office Condominium	Server and Network Equipment	Leasehold Improvements	Total
Cost							
Balance at beginning of year	P113,923,950	P10,317,702	P22,923,451	P27,756,690	P8,520,667	P123,524,774	P317,169,234
Additions	10,015,119	-	1,644,662	-	99,670	2,388,652	14,148,103
Disposals/reclassification	(7,754,718)	-	(3,769,477)	-	(85,402)	-	(11,209,657)
Balance at end of year	116,184,291	10,317,702	21,200,636	27,756,690	8,534,935	125,913,426	320,107,690
Accumulated Depreciation and Amortization							
Balance at beginning of year	89,420,181	9,062,706	9,890,152	15,001,954	6,707,195	115,571,587	245,253,975
Depreciation and amortization (Note 19 and 20)	16,884,501	816,173	4,542,388	2,293,413	915,832	6,416,317	31,868,644
Disposals	(7,250,809)	-	(1,431,637)	-	(30,702)	-	(8,713,148)
Balance at end of year	99,053,873	9,878,879	13,000,903	17,295,367	7,192,345	121,987,904	258,409,471
Net Book Value	P17,130,418	P638,823	P8,199,733	P20,461,323	P1,342,590	P3,925,522	P51,698,209

#### 14. Other Noncurrent Assets

This account consists of:

	2011	2010
Receivable from sale of investments	P96,592,600	P96,592,600
Deposits	18,456,517	15,461,812
Software and website costs	3,261,053	4,041,026
Others	795,384	252,144
	119,105,554	116,347,582
Less allowance for credit and impairment losses	96,815,015	96,592,600
	P22,290,539	P19,754,982

The Parent Company's investment in Lucky Star (a company incorporated to operate off-front on betting stations in the Philippines), was sold in 2001 since management believes that there is a significant uncertainty with respect to the recovery of this investment due to the Supreme Court decision to shut down Jai-alai operations.

The 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 is as follows:

	2011	2010
Cost		
Balance at beginning of year	P10,986,779	P11,640,914
Additions	-	489,922
Disposals	-	(1,144,057)
Balance at end of year	10,986,779	10,986,779
Accumulated Amortization		
Balance at beginning of year	6,945,753	6,287,765
Amortization (Note 19 and 20)	779,973	657,988
Balance at end of year	7,725,726	6,945,753
	P3,261,053	P4,041,026



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

	2011	2010
Balance at beginning of year	₱96,592,600	₱96,592,600
Provision for impairment losses	222,415	—
Balance at end of year	₱96,815,015	₱96,592,600

#### 15. Accounts Payable and Other Current Liabilities

This account consists of:

	2011	2010
Due to sub-agents and brokers	₱135,273,271	₱99,691,906
Accrued expenses	69,935,443	70,213,338
Trade	56,555,896	8,777,627
Output value added tax	6,804,155	6,195,569
Derivative liability (Note 9)	777,820	20,670,939
Due to home office/branch	—	153,958
Accrued interest	—	6,933
Others	19,118,447	9,432,178
	₱288,465,032	₱215,142,448

Terms and conditions and nature 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 expenses consists of accruals for profit sharing costs, VL/SL conversion, insurance, security services, cash delivery services, utilities, media buys and others
- Trade payables include amount due to counterparty for purchase of government bonds.
- Trade payables, accrued expenses and other payables are noninterest-bearing and are normally settled on a 60 to 90-day term.
- Others include due to intercompany, withholding taxes payable, documentary stamp tax payable, merchant deposits, sundry credits and others.

#### 16. Long-term Debt

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

Outstanding balance as of December 31, 2010 amounted to \$66,731 or ₱2.93 million. The loan is secured by the Company's fund in the Settlement Account or from funds owed by Western Union - Canada amounting to ₱219.9 million as of December 31, 2010. The loan was fully settled in 2011.



Interest expense related to these loans amounted to ₱0.07 million, ₱0.30 million and ₱0.60 million in 2011, 2010 and 2009, respectively.

#### 17. Asset Retirement Obligation

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

	2011	2010
Balance at beginning of year	₱4,145,582	₱3,837,665
Reversal	(4,145,582)	—
Accretion expense	—	307,917
Balance at end of year	₱—	₱4,145,582

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

#### 18. Revenue

This account consists of:

	2011	2010	2009
Commission income	₱334,087,049	₱350,326,588	₱351,245,290
Trading gains (Note 10)	333,150,050	504,049,829	141,910,113
Interest income from:			
AFS investments	103,282,875	93,852,163	79,283,201
Cash and cash equivalents (Note 7)	11,535,280	13,850,853	14,927,210
Financial assets at FVPL	6,583,120	6,621,675	17,764,766
Unquoted debt securities	4,075,852	—	—
Others	—	—	846,502
Share in foreign exchange differential	85,573,235	75,767,180	73,882,915
Management fee and service income	65,414,284	43,623,335	32,631,160
Money changing gain	36,485,920	59,577,996	71,273,614
Dividend income	35,610,251	45,775,827	61,716,274
Advertising, web development and internet service	33,851,638	30,406,652	37,940,925
Income from business partners	2,868,068	2,333,776	—
	₱1,052,517,622	₱1,226,185,874	₱883,421,970



## 19. Cost of Services and Sales

This account consists of:

	2011	2010	2009
Personnel costs	P16,950,227	P32,988,587	P42,159,353
Service connection fee	1,127,748	2,480,287	3,314,264
Subscription	948,284	81,000	273,148
Depreciation and amortization (Notes 13 and 14)	884,273	2,712,181	3,930,219
Advertising and web development	669,146	2,511,568	2,099,316
Provision for retirement costs (Note 23)	400,933	(94,342)	234,238
Others	2,250,348	1,769,866	1,299,850
	<b>P23,230,959</b>	<b>P42,449,147</b>	<b>P53,310,388</b>

## 20. General and Administrative Expenses

This account consists of:

	2011	2010	2009
Personnel costs	P154,199,889	P127,582,788	P122,394,674
Rent and utilities (Note 22)	77,960,333	74,919,875	75,174,615
Outside services	64,150,913	63,885,951	68,302,998
Commission expense	61,879,343	55,519,975	41,726,377
Professional fees	22,063,160	12,979,469	13,491,942
Depreciation and amortization (Notes 13 and 14)	21,967,798	29,814,451	36,645,966
Transportation and communication	15,876,117	29,530,532	30,562,911
Office supplies	14,006,383	18,912,791	20,478,640
Provision for credit and impairment losses (Notes 8, 10, 11, 12 and 14)	13,836,393	16,519,143	7,484,931
Advertising	12,252,274	5,747,651	8,645,213
Taxes and licenses	11,811,586	9,543,786	10,162,056
Entertainment, amusement and recreation	3,631,565	4,029,316	5,632,842
Repairs and maintenance	3,010,177	3,391,826	5,092,834
Insurance	2,970,288	5,430,448	7,679,737
Membership fees and other dues	1,411,709	404,060	235,225
Provision for retirement costs (Note 23)	(180,113)	(758,386)	(1,551,806)
Others	7,701,706	8,924,861	5,833,357
	<b>P488,549,521</b>	<b>P466,378,537</b>	<b>P457,992,512</b>

## 21. Other Income

This account consists of:

	2011	2010	2009
Foreign exchange gain	P17,332,926	P46,275,786	P17,897,293
Gain from sale of property and equipment	21,070	302,946	345,686
Miscellaneous income (loss)	7,990,524	(378,542)	5,512,455
	<b>P25,344,520</b>	<b>P46,200,190</b>	<b>P23,755,434</b>





Miscellaneous income is mainly comprised of recoveries of allowance for credit losses. In 2011, this includes the P4.15 million reversal of asset retirement obligation (see Note 17).

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## 22. Lease Commitments

e-Business leases its office space and the space occupied by its branches with varying periods of up to 15 years and, renewable on such terms and conditions which shall be mutually acceptable by e-Business and the lessors. Rent expense charged to operations amounted to P57.47 million, P52.08 million and P56.6 million in 2011, 2010, and 2009, respectively.

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

Year	2011	2010
Within one year	P38,612,768	P30,932,773
After one year but not more than five years	43,979,380	126,882,926
After five years	—	6,328,849



### 23. 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 have 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:

	2011			2010			2009		
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	Total
Retirement costs:									
Current service cost	P142,800	P35,824	P903,150	P217,476	P1,299,250	P104,400	P98,623	P851,178	P1,054,201
Interest cost on benefit obligation	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	(44,322)	(168,915)	(1,131,653)	226,641	(1,118,249)	-	(229,389)	(1,303,511)	(1,532,900)
Expected return on plan assets	-	-	(81,652)	-	(81,652)	-	-	(713,558)	(713,558)
	P184,137	(P35,412)	(P361,856)	P493,961	P220,820	P163,183	(P104,342)	(P911,569)	(P852,728)
						P140,107	P744,238	(P1,701,913)	(P1,317,568)

The amounts recognized in the consolidated statements of financial position:

	2011			2010			2009		
	Parent Company	Yehey!	e-Business	PEMI	Total	Parent Company	Yehey!	e-Business	Total
Reconciliation of retirement payable:									
Present value of retirement obligation (PVO)	P1,058,725	P487,608	P5,223,612	P493,961	P7,263,406	P520,090	P418,651	P4,097,223	P5,036,264
Fair value of plan assets	-	-	(11,566,635)	-	(11,566,635)	-	-	(9,633,031)	(9,633,031)
Net pension obligation (asset)	1,058,725	487,608	(6,343,023)	493,961	(4,303,229)	520,090	418,651	(5,535,508)	(4,596,767)
Unrecognized net actuarial gain (loss)	318,524	553,156	10,462,175	-	11,333,855	672,522	717,525	10,016,526	11,406,573
	P1,376,749	P1,040,764	P4,119,152	P493,961	P7,030,626	P1,192,612	P1,136,176	P4,481,018	P6,809,806
						P1,029,429	P1,240,518	P5,392,587	P7,662,534



**Movements in the retirement payable are as follows:**

Actuarial loss (gain) on PVO follows:

**Movements in the retirement payable are as follows:**

	2011			2010		
	Parent Company	e-Business	FEM	Total	Parent Company	e-Business
	Ychey!	Ychey!	Ychey!	Ychey!	Ychey!	Ychey!
Balance at beginning of year	\$1,192,612	\$4,481,018	\$-	\$6,899,806	\$1,029,429	\$3,392,587
Refractment costs	184,157	(95,412)	493,961	220,520	163,183	(852,728)
Balance at end of year	\$1,376,769	\$4,119,152	\$493,961	\$7,030,626	\$1,192,612	\$2,539,859

Amounts for the current and previous years follow:

	2011	2010	2009
Fair value of plan assets	P11,566,635	P9,633,031	P8,919,473
Present value of defined benefit obligation	7,263,406	5,036,264	3,642,534
Funded status	4,303,229	4,596,767	5,276,939
Experience adjustments on plan liabilities	1,008,028	—	428,577

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

	2011	2010
Balance at beginning of year	P9,633,031	P8,919,473
Benefits paid	—	—
Actuarial gain	1,451,952	—
Expected return on plan assets	481,652	713,558
Balance at end of year	P11,566,635	P9,633,031
Actual return on plan assets	P481,652	P713,558

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

	2011	2010
Investment in common trust fund	51.79%	41.81%
Cash/Deposits	40.46%	0.79%
Investment in government securities	7.75%	57.40%

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

	2011			2010			2009		
	Parent Company	Yehey! e-Business		Parent Company	Yehey! e-Business		Parent Company	Yehey! e-Business	
Discount rate	5.47%	6.20%	6.10%	16.47%	9.00%	8.50%	16.47%	15.09%	18.75%
Future salary increase	4.00%	4.00%	4.00%	10.00%	4.00%	4.00%	10.00%	10.00%	10.00%
Expected rate of return on plan assets	—	—	5.00%	—	—	8.00%	—	—	8.00%
Average remaining service period	4 years	4 years	8 years	6 years	3 years	6 years	8 years	5 years	8 years

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



## 24. Equity

Capital Stock - ₱1 par value of common shares

The details of this account are shown below:

	2011		2010		2009	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized shares	2,250,000,000	₱2,250,000,000	2,250,000,000	₱2,250,000,000	1,900,000,000	₱1,900,000,000
Issued shares						
Balance at beginning of year	2,235,390,633	2,235,390,633	2,235,390,633	2,235,390,633	1,788,312,570	1,788,312,570
Stock dividends	-	-	-	-	447,078,063	447,078,063
Balance at end of year	2,235,390,633	2,235,390,633	2,235,390,633	2,235,390,633	2,235,390,633	2,235,390,633
Treasury stock	(134,855,500)	(188,520,838)	(134,855,500)	(188,520,838)	(26,863,750)	(35,148,836)

On various dates in 2009, the Parent Company reacquired a total of 26.9 million shares for an aggregate price of ₱35.1 million. The aggregate amounts are presented in the consolidated financial statements as 'Treasury stock'. In addition, on various dates in 2010, the Parent Company reacquired a total of 134.9 million shares for an aggregate price of ₱153.4 million.

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

### a. Authorized Shares

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

### b. Stock Dividends

Date of SEC Approval	Percentage
January 12, 2009	25%

### c. Number of Shareholders

Year End	Number of shareholders
December 31, 2011	685
December 31, 2010	709

In the consolidated financial statements, a portion of the Group's retained earnings corresponding to the accumulated net earnings of the subsidiaries amounting to ₱299.60 million and ₱240.68 million as of December 31, 2011 and 2010, respectively, is not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend declaration upon receipt of dividends from investees.



## 25. 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:

	2011	2010
Deferred tax assets:		
Retirement payable	P1,235,746	P1,344,305
Allowance for credit losses	1,795,794	1,296,815
Cost of dismantlement	-	81,141
Allowance for impairment of investment	54,231	50,628
Unrealized foreign exchange losses	-	1,849,933
Asset retirement obligation	-	1,243,674
Unamortized past service cost	-	335,690
	3,085,771	6,202,186
Deferred tax liabilities:		
Prepaid rent	1,044,782	-
Net deferred tax assets	P2,040,989	P6,202,186

Components of the deferred tax liabilities of the Group follow:

	2011	2010
Deferred tax liabilities		
Net unrealized gain on changes in fair value of AFS Investments	P1,003,292	P167,211,136
Net unrealized foreign exchange gain	-	7,065,721
	P1,003,292	P175,030,767

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 with, are as follows:

	2011	2010
Allowance for credit losses	P136,737,523	P173,903,152
Unrealized foreign exchange losses	9,530,961	28,598,697
Accrued rent	5,741,881	5,741,881
Retirement payable	2,417,513	2,328,788
Leave credits for employees	1,477,250	968,174
Allowance for impairment	1,230,730	-
NOLCO	204,333	17,395,340
	P157,340,191	P228,936,032
Excess of MCIT over RCIT	P14,242	P1,021,799



Movements in NOLCO and MCIT are as follows:

	2011		2010	
	NOLCO	Excess MCIT	NOLCO	Excess MCIT
Balance at beginning of year	P17,516,014	P628,722	P17,610,318	P806,958
Addition	-	-	262,327	622,160
Application/expiration	(17,311,681)	(614,480)	(477,305)	(407,319)
Balance at end of year	P204,333	P14,242	P17,395,340	P1,021,799

Details of the Group's NOLCO are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2008	P12,772,449	(P12,772,449)	P-	
2009	4,361,448	(4,276,905)	84,543	2012
2010	314,416	(262,327)	52,089	2013
2011	67,701	-	67,701	2014
	P17,516,014	(P17,311,681)	P204,333	

Details of the Group's excess MCIT over RCIT are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2008	P140,859	(P140,859)	P-	2011
2009	249,345	(249,345)	-	2012
2010	229,622	(224,276)	5,346	2013
2011	8,896	-	8,896	2014
	P628,722	(P614,480)	P14,242	

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:

	2011	2010	2009
Statutory income tax	P168,341,099	P228,393,170	P119,943,364
Income tax effects of:			
Trading gains	(98,384,483)	(151,214,919)	(45,000,067)
Interest income subjected to final tax and exempt from tax	(26,051,316)	(24,692,400)	(22,163,835)
Dividend income exempt from tax	(10,683,075)	(13,732,748)	(18,513,502)
Mark-to-market loss (gain) on financial assets at FVPL	1,057,186	(776,990)	-
Changes in unrecognized deferred tax assets	(8,758,802)	(13,416,287)	1,199,084
Others	5,792,617	20,128,479	(848,780)
Effective income tax	P31,313,226	P44,688,305	P34,616,264



## 26. 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.

- a. Due from affiliates pertains to short-terms advances by PEMI to Philequity Fund, Inc., a related party, which are presented under 'Loans and receivables' in the consolidated statement of financial position (Note 8).
- b. PEMI has a consultancy agreement with a board member of the Company. In 2011, a total annual retainer fee of ₱1.8 million was accrued and was subsequently paid in February 2012 as compensation for his skills in marketing and corporate strategy which contributed to the business of the Company.
- c. In 2011, Yehey!, eBiz Financial Services, Inc., and Philequity Fund, Inc. participated in the Parent Company's investment in a credit-linked note by purchasing ₱359.32 million at face value. The Company serves as the receiving agent of all coupon interest for the entire duration of the participation.
- d. In 2011 and 2010, the Company waived the collection of rental for the lease of office space of Yehey!.
- e. In 2011, 2010, and 2009, the Parent Company paid certain expenses of e-Business, Yehey!, PEMI, and iCurrencies, which were later billed for reimbursement.
- f. Compensation of key management personnel of the Group:

	2011	2010	2009
Salaries and wages	₱15,555,985	₱16,445,855	₱17,880,831
Retirement benefits	848,770	220,140	141,738
	₱16,404,755	₱16,665,995	₱18,022,569

## 27. Basic/Diluted Earnings Per Share

	2011	2010	2009
(a) Net income attributable to equity holders of the Parent Company	₱514,705,557	₱713,647,678	₱361,430,972
(b) Weighted average outstanding shares	2,100,535,133	2,134,334,104	2,232,524,571
(c) Basic/Diluted earnings (loss) per share (a/b)	₱0.2450	₱0.3344	₱0.1619

On June 4, 2008, the BOD increased the Parent Company's authorized capital stock from ₱1,900,000,000 to ₱2,250,000,000, as well as the issuance of 25.0% stock dividend to its stockholders. This increase in capital stock was approved by the SEC and PSE on January 12, 2009, while the stock dividends were distributed to stockholders as of record date of February 10, 2009 on March 6, 2009.





On various dates in 2009, the Parent Company reacquired a total of 26.86 million shares for an aggregate price of ₱35.15 million.

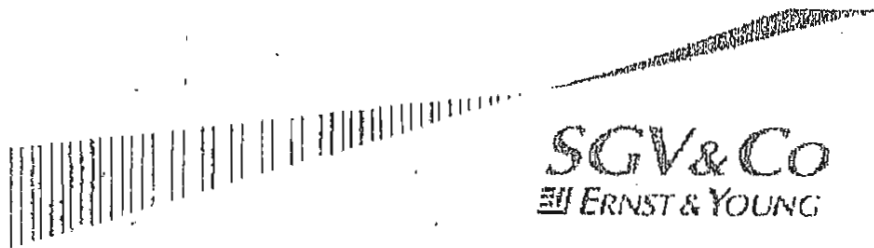
In addition, on various dates in 2010, the Parent Company reacquired a total of 134.9 million shares for an aggregate price of ₱153.4 million.

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## 28. 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/PSC Reg. No. 0001  
January 25, 2010, valid until December 31, 2010  
SEC Accreditation No. 0012-PR-2 (Group A)  
February 4, 2010, valid until February 3, 2013

## 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, 2011 and 2010 included in this Form 17-A and have issued our report thereon dated April 10, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Vicky Lee Salas*  
Vicky B. Lee-Salas

Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-2 (Group A),

February 11, 2010, valid until February 10, 2013

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174802, January 2, 2012, Makati City

April 10, 2012



A member firm of Ernst & Young Global Limited

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2011**

**Schedules Required under Securities Regulation Code Rule 68**

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**SCHEDULE I  
RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
DECEMBER 31, 2011**

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

Unappropriated retained earnings, beginning	P2,046,003,093.00
Add: Net income actually earned during the year	455,781,648.00
Retained earnings available for dividend distribution, ending	<u>P2,501,784,741.00</u>

**SCHEDULE II**  
**LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)**  
**EFFECTIVE AS OF DECEMBER 31, 2011**

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

PFRSs and PIC Q&As	Adopted/Not Adopted/ Not Applicable
<i>contains a Lease</i>	
Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not Applicable
Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i>	Adopted
Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i>	Adopted
Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Not Applicable
Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not Applicable
Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i>	Not Applicable
Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i>	Not Applicable
Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not Applicable
Philippine Interpretation SIC-7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not Applicable
Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i>	Not Applicable
Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not Applicable
Philippine Interpretation SIC-15, <i>Operating Leases - Incentives</i>	Not Applicable
Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not Applicable
Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not Applicable
Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Adopted
Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC-31, <i>Revenue Barter Transactions Involving Advertising Services</i>	Not Applicable
Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i>	Adopted
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts	Not Applicable
PIC Q&A No. 2006-02: PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	Not Applicable
PIC Q&A No. 2007-03: PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)	Not Applicable

PFRSs and PIC Q&As	Adopted/Not Adopted/ Not Applicable
PIC Q&A No. 2008-01 (Revised): PAS 19.78 - Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2008-02: PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20	Not Applicable
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	Not Applicable
PIC Q&A No. 2010-01: PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	Adopted
PIC Q&A No. 2010-02: PAS 1R.16 - Basis of preparation of financial statements	Adopted
PIC Q&A No. 2011-01: PAS 1.10(f) - Requirements for a Third Statement of Financial Position	Not Applicable

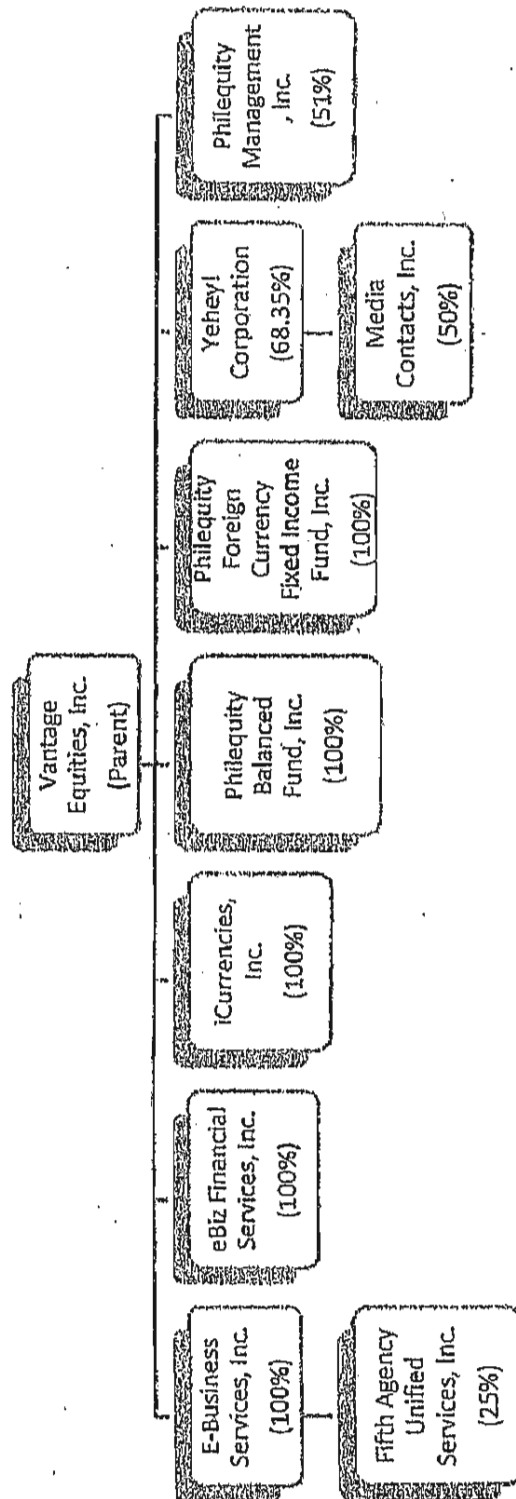
**Important:** If an entity has early adopted any of the following pronouncements, please take note of the: (1) additional disclosures the entity has to make for the early adoption of the said pronouncements and (2) the existing pronouncements that the entity may have to mark as "Not applicable":

Pronouncements Issued but not yet effective	Applicable to annual period beginning on or after	Early application allowed	Remarks
Amendments to PFRS 7: <i>Disclosures-Transfers of Financial Assets</i>	July 1, 2011	Yes	To be adopted when effective
Amendments to PFRS 7: <i>Disclosures-Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013	Not mentioned	To be adopted when effective
PFRS 9, <i>Financial Instruments</i>	January 1, 2015	Yes	To be adopted when effective
PFRS 10, <i>Consolidated Financial Statements</i>	January 1, 2013	Yes	To be adopted when effective
PFRS 11, <i>Joint Arrangements</i>	January 1, 2013	Yes	To be adopted when effective
PFRS 12, <i>Disclosure of Interests in Other Entities</i>	January 1, 2013	Yes	To be adopted when effective
PFRS 13, <i>Fair Value Measurement</i>	January 1, 2013	Yes	To be adopted when effective

Pronouncements issued but not yet effective	Applicable to annual period beginning on or after	Early application allowed	Remarks
Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i>	July 1, 2012	Yes	To be adopted when effective
Amendments to PAS 12- <i>Deferred Tax: Recovery of Underlying Assets</i>	January 1, 2012	Yes	To be adopted when effective
PAS 19, <i>Employee Benefits</i> (Revised)	January 1, 2013	Yes	To be adopted when effective
PAS 27, <i>Separate Financial Statements</i>	January 1, 2013	Yes	To be adopted when effective
PAS 28, <i>Investments in Associates and Joint Ventures</i>	January 1, 2013	Yes	To be adopted when effective
Amendments to PAS 32, <i>Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2014	Yes	To be adopted when effective
Philippine Interpretation IFRIC-15, <i>Agreements for the Construction of Real Estate</i>	Deferred by SEC and FRSC	No	Not applicable
Philippine Interpretation IFRIC-20, <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013	Yes	Not applicable
PIC Q&A No. 2011-02: PFRS 3.2 - Common Control Business Combinations	January 1, 2012	Yes	Not applicable
PIC Q&A No. 2011-03: Accounting for Inter-company Loans	January 1, 2012	Yes	To be adopted when effective
PIC Q&A No. 2011-04: PAS 32.37-38 - Costs of Public Offering of Shares	January 1, 2012	Yes	To be adopted when effective
PIC Q&A No. 2011-05: PFRS 1.D1-DB - Fair Value or Revaluation as Deemed Cost	January 25, 2012	Not mentioned	To be adopted when effective



SCHEDULE III  
MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG PARENT AND  
SUBSIDIARIES



Vantage Equities, Inc. and Subsidiaries  
Schedule A – Financial Assets  
December 31, 2011

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income accrued
<i>Loans and receivables:</i>				
Unquoted debt securities	P 296,979,500	296,979,500.00	296,979,500.00	4,075,852.00
<i>AFS Investments:</i>				
Quoted:				
Government bonds	P 1,354,985,761	1,535,603,049.00	1,535,603,049.00	86,134,137.00
Corporate bonds	P 55,231,727	55,568,743.00	55,568,743.00	2,924,642.00
Equity securities	115,400,175 shares	1,270,721,653.00	1,270,721,653.00	35,608,451.00
Unquoted:				
Corporate bonds	P 279,000,000	292,950,592.00	292,950,592.00	14,224,096.00
Mutual fund	53,368,887 shares	1,143,801,986.00	1,143,801,986.00	None to Report
Golf shares	1 share	570,000.00	570,000.00	None to Report
<i>Financial Assets at FVPL:</i>				
Corporate bond	P 83,296,000	86,627,840.00	86,627,840.00	6,583,120.00
Nondeliverable forward	US\$ 2,500,000	111,952.00	111,952.00	None to Report

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (Other than Related Parties)**  
**December 31, 2011**

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

None to Report.

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

Vantage Equities, Inc. and Subsidiaries  
**Schedule C - Amounts Receivable from Related Parties which are eliminated**  
 during the consolidation of financial statements  
 December 31, 2011

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected <sup>(i)</sup>	Amounts Written-off <sup>(ii)</sup>	Current	Non-Current	Balance at end of period
None to Report							

<sup>(i)</sup> If collected was other than in cash, explain.

<sup>(ii)</sup> Give reasons to write-off.

Vantage Equities, Inc. and Subsidiaries  
Schedule D - Intangible Assets - Other Assets  
December 31, 2011

Description <sup>(1)</sup>	Beginning Balance	Additions at Cost <sup>(2)</sup>	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) <sup>(3)</sup>	Ending Balance
Goodwill	\$3,654,985.00	P-	P-	P-	P-	\$3,654,985.00
Software and website costs	4,041,026.00	-	779,973.00	-	-	3,261,053.00

<sup>(1)</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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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, 2011

Title of Issue and type of obligation <sup>(1)</sup>	Amount authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet <sup>(2)</sup>	Amount shown under caption "Long-Term Debt" in related balance sheet <sup>(3)</sup>	Interest Rate %	Maturity Date
--	--------------------------------	--	---	-----------------	---------------

None to report

<sup>(1)</sup> Include in this column each type of obligation authorized.

<sup>(2)</sup> This column is to be totalled to correspond to the related balance sheet caption.

<sup>(3)</sup> 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, 2011

Name of Related Parties <sup>(i)</sup>	Balance at beginning of period	Balance at end of period <sup>(ii)</sup>
--	--------------------------------	--

None to Report

- <sup>(i)</sup> The related parties named shall be grouped as in Schedule D. The information called for shall be stated for any persons whose investments shown separately in such related schedule.
- <sup>(ii)</sup> For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Vantage Equities, Inc. and Subsidiaries  
 Schedule G - Guarantees of Securities of Other Issuers  
 December 31, 2011

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding <sup>(1)</sup>	Amount owned by person of which statement is filed	Nature of guarantee <sup>(2)</sup>
--	---	---	--	------------------------------------

None to Report

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



Vantage Equities, Inc. and Subsidiaries  
Schedule H - Capital Stock  
December 31, 2011

(Absolute numbers of shares)

Title of Issue <sup>(i)</sup>	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties <sup>(ii)</sup>	Directors, officers and employees	Others <sup>(iii)</sup>
Common	2,250,000,000	2,100,535,133	None to Report	None to Report	1,115,292,692	None to Report

<sup>(i)</sup> Include in this column each type of issue authorized

<sup>(ii)</sup> 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.

<sup>(iii)</sup> Indicate in a note any significant changes since the date of the last balance sheet filed.

# VANTAGE

EQUITIES, INC.

June 8, 2012

## DISCLOSURE DEPARTMENT

The Philippine Stock Exchange, Inc.  
3/F Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, 1226 Philippines

### Re: Amendment of 2011 Annual Report

Everyone:

We are transmitting the Amended 17A Report of Vantage Equities, Inc. and its Subsidiaries for the year 2011 as required by Securities and Exchange Commission.

The table below would summarize the amendments:

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Thank you very much.

Very truly yours,

VANTAGE EQUITIES, INC. AND ITS SUBSIDIARIES

By:

  
MA. ANGELICA D. CABANIT  
Group Comptroller



106072012001864

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (832) 726-0931 to 39 Fax: (832) 725-5293 Email: mls@sec.gov.ph

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Company Type Stock Corporation

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Remarks Amendment

AS0920-07059

S.E.C. Registration Number

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

(Company's Full Name)

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

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

MR. EDMUNDO MARCO P. BUNYI, JR.

Contact Person

689-8090

Company Telephone Number

12 31  
Month Day  
Fiscal Year

17-A "A"  
FORM TYPE

12 31 11  
Month Day Year  
Period Ended

INVESTMENT HOLDING

CFD  
Dept. Requiring this Doc.

Amended Articles Number/Section

685  
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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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 2011, 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, 2,235,390,633 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 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, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

#### **Investments**

In June 2006, the Corporation divested its shareholdings in International Exchange Bank ("iBank"), its largest single investment at that time. The iBank sale generated 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 2011, eBiz had over 1,000 locations nationwide: 157 in company-owned branches and the rest in sub-agent locations. eBiz employs more than 400 employees.

**eBiz Financial – 100% ownership**

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

**iCurrencies – 100% ownership**

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

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

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

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

**Philequity Balanced Fund, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of 31 December 2011, 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 2011, the Fund has not yet launched its capital shares to the public.

**Yehey! Corporation (“Yehey”) – 68.35% 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. Such listing is scheduled in 2012.

**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.

**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 P585-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 Vantage Equities 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. In 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 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 ₱207-billion in assets under management. In comparison, PEMI's funds particularly PEFI has a 17-year track record of consistent return outperformance against the Philippine Stock Exchange Index (PSEi) with about ₱5.9-billion (as of April 2012) in assets under management.

#### Yehey! Corporation – 68.35% ownership

Yehey! considers the following as competitors:

- Digital Agencies
- Advertising Agencies

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

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

#### BBDO-Proximity

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

relationships, changing behaviors and delivering results across all marketing disciplines and media.

#### *Deploy*

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

#### *Havoc*

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

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

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

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

## Financial Performance

The Company derived its revenues from various activities:

	2011	2010	2009
Commission income	334,087,049	350,326,588	351,245,290
Gain on sale of AFS investments	333,150,050	504,049,829	141,910,113
Interest income from:			
AFS investments	103,282,875	93,852,163	79,283,201
Cash and cash equivalents	11,535,280	13,850,853	14,927,210
Financial assets at FVPL	6,583,120	6,621,675	17,764,766
Unquoted debt securities	4,075,852	-	-
Others	-	-	846,502
Share in foreign exchange differential	85,573,235	75,767,180	73,882,915
Management fee and service income	65,414,284	43,623,335	32,631,160
Money changing gain	36,485,920	39,577,996	71,273,614
Dividend income	35,610,251	45,775,827	61,716,274
Advertising, web development and internet service	33,851,638	30,406,652	37,940,925
Income from business partners	2,868,068	2,333,776	-
<b>TOTAL</b>	<b>1,052,517,622</b>	<b>1,226,185,874</b>	<b>883,421,970</b>

As of December 31, 2011, the Company has a total of 482 employees as broken down below and are not subject to Collective Bargaining Agreements (CBA).

Position	No. of Employees	Anticipated No. of Additional Employees
Executive	1	-
Senior Officer	6	-
Manager	23	-
Supervisor	137	-
Staff	315	25
<b>TOTAL</b>	<b>482</b>	<b>25</b>

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.

## 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.

**iCurrencles, 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.

**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* - As of December 31, 2011 these equipment are already fully depreciated but still in use by the Company.

*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 year 2011, Vantage Equities, Inc. waived its rental fee amounting to P2,132,088 evidenced by an Office Memo signed by the Mr. Edmundo Marco P. Bunyi, President and COO of Vantage Equities, Inc. and Mr. Jose Carlos Arellano, President and CEO of Yehey! Corporation.

*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. al*"; Supreme Court, Manila

On October 10, 2005, e-Business filed a case for specific performance against Sure Express to comply with its obligations under the Money Transfer Service Agreement entered by the parties. On September 28, 2007, RTC Branch 214 of Mandaluyong City rendered a decision in favor of E-Business prompting Sure Express to appeal before the Court of Appeals and Supreme Court.

A petition for certiorari was filed by Sure Express World Wide Corp. on January 11, 2010 against the Court of Appeals and e-Business. The Supreme Court rendered a decision on February 03, 2010 dismissing the petition. The aforesaid resolution became final and executory on April 12, 2010. Parties were furnished copies of the Entry of Judgment on August 03, 2010.

e-Business filed a Motion for Execution of Judgment on February 2012 before RTC Branch 214 in Mandaluyong City to execute aforesaid resolution of the Court of Appeals. The motion is still pending for hearing and resolution

**3.2. Civil Case No. 71390,**

captioned "*e-Business Services Inc. vs. Prudential Guarantee Assurance, Inc.*"; RTC 152, Pasig City

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 damages and the cost of suit. The case is pending pre-trial.

**3.3.Criminal Case No. 12822,**  
captioned "*People of the Philippines vs. Noriel 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. The accused left for Bangkok on November 2008 and his whereabouts remain unknown since then. The instant case was archived in 2009.

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

No matter was submitted to a vote of the security holders during the fourth quarter of 2011.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

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

Stock Prices (as adjusted)

	2012		2011		2010	
	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	1.91	1.85	1.88	1.43	1.46	1.26
2 <sup>nd</sup> Quarter	n/a	n/a	1.71	1.71	1.52	1.42
3 <sup>rd</sup> Quarter	n/a	n/a	1.46	1.46	1.44	1.37
4 <sup>th</sup> Quarter	n/a	n/a	1.71	1.67	1.44	1.4

As of 31 March 2012, there were 677 shareholders of the 2,235,390,633 common shares issued and outstanding. As of the close of trading on 31 March 2012, the Registrant's shares were traded at the price of P1.91 per share in Philippine Stock Exchange.

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

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

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

There is no sale of unregistered securities within the past three (3) years.

**Top 20 shareholders as of December 31, 2011:**

Top 20 Stockholders of Vantage Equities, Inc. as of December 31, 2011		
RECORD OWNER	NO. OF SHARES	% TO TOTAL
1 PCD NOMINEE CORP.	2,127,458,646.00	95.17%
2 PUA YOK BING	23,862,500.00	1.07%
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 PCD NOMINEE CORPORATION (NON-FILIPINO)	4,271,000.00	0.19%
7 A. BROWN COMPANY, INC.	3,441,250.00	0.15%
8 SYSMART CORP.	3,428,375.00	0.15%
9 LUCIO W. YAN &/OR CLARA YAN	3,406,250.00	0.15%
10 RICARDO L. NG	1,624,375.00	0.07%
11 AGAPITO C. BALAGTAS, JR.	1,437,500.00	0.06%
12 APRICINIA B. FERNANDEZ	1,437,500.00	0.06%
13 SUZANNE LIM	1,437,500.00	0.06%
14 HARLEY SY	1,437,500.00	0.06%
15 CYGNET DEVELOPMENT CORPORATION	1,406,250.00	0.06%
16 JERRY TIU	1,365,625.00	0.06%
17 CAMPOS, LANUZA & CO., INC.	1,161,500.00	0.05%
18 WILSON L. SY	1,150,000.00	0.05%
19 DAVID GO SECURITIES CORP.	935,000.00	0.04%
20 JOHN PETER YU &/OR JUAN YU	800,000.00	0.04%

**Dividends**

Vantage Equities, Inc. has not declared any cash dividends the past two years.

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

In Millions	2011	2010	2009
<b>Balance Sheet</b>			
Assets	5,842.98	5,301.53	4,491.29
Liabilities	309.62	436.20	256.78
Stockholder's Equity	5,533.36	4,865.33	4,234.51
<b>Income Statement</b>			
Revenues	1,052.52	1,226.19	883.42
Expenses	511.79	508.84	511.30
Other Income / (Charges)	(10.91)	(0.73)	(6.93)
Net Income	529.82	716.62	365.19
Earnings per Share	0.25	0.33	0.16
<b>Key Performance Indicators</b>			
Current ratio (Current Assets/Current Liabilities)	4.88	5.29	5.32
Leverage Ratio (Total Debt/Total Equity)	0.06	0.09	0.09
Comprehensive Return on Equity (Comprehensive Income/Total Equity)	0.10	0.15	0.09
Book Value Per Share	2.48	2.18	1.85

**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 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 2011 slid 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.

#### **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 amount 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 -Y2011 versus Y2010**

###### ***11% increase in internet sales and services***

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

###### ***26% decrease in money changing and foreign exchange***

Profit opportunities are not as attracted as last year.

###### ***8% decrease in interest income***

Mainly due to selling a portion of fixed income securities.

*34% decrease in Trading gain*  
Mainly due to selling of equity securities.

*50% increase in mutual fund income*  
Mainly due to increase in assets under administration.

*5% increase in general and administrative expenses*  
Mainly due to increase management cost.

*45% decrease in cost of services and sales*  
Primarily due to decrease in internet sales and services.

**Balance Sheet items – Y2011 versus Y2010**

*31% decrease in cash and cash equivalents*  
Primary due to lower short-term investments.

*101% increase in receivables*  
Mainly due to Western Union transaction.

*24% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*  
Primary due to lower currency forward contracts.

*10% increase in available-for-sale securities*  
Largely due to increase on equities and mutual fund investments.

*14% decrease in property, plant and equipment*  
Mainly due to depreciation cost and no major capital expenditure for this year.

*34% increase in accounts payable and other current liabilities*  
Mainly due to increase in current operations.

*100% decrease of current portion of long term debt*  
Mainly due to debt was fully paid this year.

*33% 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 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 2010 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 2009 to 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.

**RESULTS OF OPERATIONS FOR THE YEAR ENDED 2009 (Y2009 vs Y2008)**

The Company posted a consolidated net income of Php 365 million, reversing the Php 436 million consolidated net loss registered in 2008. On a per share basis, this translates to a Php 0.16 income in 2009 compared to Php 0.19 loss in 2008.

After suffering from the worst financial crisis since the Great Depression, global asset markets recovered in 2009. The rebound can largely be attributed to the unprecedented fiscal stimulus from governments worldwide to avert a prolonged recession. The S&P 500 and the MSCI World Index were up 23% and 27% in 2009, respectively, compared to a drop of 39% and 42% in 2008, respectively. Local markets likewise staged a rebound wherein the Phisix gained 63% in 2009 compared to a 48% drop the previous year. The Company's equity portfolio posted a more modest gain of 31% after incurring a 27% loss in 2008.

Fixed income markets likewise stabilized as credit spreads narrowed and returned close to their pre-crisis levels. The Company's fixed income portfolio gained 11.3% in 2009, outperforming the HSBC Local Bond Index which rose 8.2% during the same period. In 2008, the same portfolio posted a loss of 1.2% compared to a 1.6% gain of the benchmark.

After a fantastic run-up of financial markets in 2009, the Company expects more modest returns in the equities and fixed income markets moving forward. It will continue to exercise prudence with respect to its investments especially in the face of uncertainties surrounding the 2010 national elections and a possible sovereign debt crisis in Europe.

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

**eBusiness Services, Inc.**

eBiz achieved another record volume in 2009, hitting over 3.5 million transactions worth in excess of USD 800 million. Transaction value grew 32% last year, far outpacing industry growth of 6%.

Revenues increased by 22% to Php 458 million in 2009 from Php 373 million in 2008. This was mainly due to a marketing campaign launched by eBiz during the latter part of

2008 to capture and convert clients of Western Union's former principal agent. USD/PHP was also higher on average: 47.64 in 2009 vs. 44.50 in 2008, raising eBiz revenues by 7%.

Operating Cost increased by 8% from Php354 million to Php381 million due to additional benefit given to employees and rationalizing higher service cost to service providers; while interest expense and bank charges declined by 51% to Php9.8 million from Php20 million, mainly due to better management of operating cash.

2009 posted a Net Income of Php56.6 million from Php10.0 million in 2008 brought about by fortifying risk management practices and raising operating efficiencies for the past two years. After these actions, eBiz is now poised to expand its network of branches and take advantage of the growing remittance industry.

#### **Yehey! Corporation**

The Company posted revenues of Php38 million for the whole year 2009, 3% lower than Php 39.2 million revenues posted for the year 2008. The decline in revenues was brought about by a general decline in advertising spend from 2008 to 2009. Revenues from media sales decreased by about 43%, from Php4.0 million to Php2.3 million. Web Development revenues, meanwhile, posted small growth of 2% from P28.4 million to Php 28.9 million. Portal revenues also decreased by 84% from P6 million in 2008 to P1.3 million in 2009, as the Company has been slowly been migrating systems from Regular Search to Vertical Search. The Portal Streams are likewise recently launched and are expected to yield higher page views and revenues in the next few months still. Despite said revenue decline in media sales, web development and portal revenues, the latest addition to the stream of revenues, Digital PR, posted revenues Php4.4 million. E commerce revenues likewise increased by 44% from Php0.66 million to Php0.94 million

Cost and Operating Expenses increased by 9% from Php60 million in 2008 to Php66 million in 2009. Note that 2009 figures reflect the full cost of the expansion at approximately 65 employees, while 2008 figures still reflect pre-expansion cost with approximately 45 employees.

Although costs have been managed at minimum levels, revenues are not able to cover for the full costs resulting in a net loss of Php16.5 million vis-à-vis net loss of Php7.4 million in 2008. In 2009, however, income from Media Contacts of about Php6.6 million has improved the bottom line of Yehey, bringing down the Net Loss to about Php10 million.

#### **Philequity Management, Inc.**

PEMI's 2009 revenues slightly increased from Php34.8 million in 2008 to Php35.1 million. The mutual funds it manages posted net redemptions of Php 321 million in 2009 while total assets under management increased to Php 2.5 billion at end-2009.

PEMI manage to reduce its operating expense by 14.5% from Php12.3 million in 2008 to P10.5 million in 2009. This resulted to a net income of Php14.4 million in 2009 from Php11.7 million in 2008.

### **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:

	2011	2010
Audit Fee	704,704.00	666,344.00
Tax Services	-	-
Other Fees	-	-
<b>TOTAL</b>	<b>704,704.00</b>	<b>666,344.00</b>

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	67
Director	2002 to present	Valentino L. Sy	Filipino	56
Chairman & CEO	2005 to present			
Director	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	47
President & COO				
Director	2003 to present	Joseph L. Ong	Filipino	58
Treasurer	2005 to present			
Director	1999 to present	Willy N. Ocier	Filipino	55
Director	2003 to present	Roberto Z. Lorayes	Filipino	68
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	59
Director	2005 to present	Antonio R. Samson	Filipino	66
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	56
Asst. Corporate Secretary	2011 to present	Darwin S. Ocampo	Filipino	28

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

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

**Valentino C. Sy**

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

**Edmundo P. Bunyi, Jr.**

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

**Ignacio B. Gimenez**

Mr. Gimenez became a Director of the Company in 2003. He is the Treasurer of I. B. Gimenez Securities, Inc., a stock brokerage firm (1976 - present). He is the President of the following mutual funds, namely, Philequity Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Index Fund, Inc. and 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, 55, 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).

#### **A. Bayani K. Tan**

Filipino, 56, 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, 28, is the Assistant Corporate Secretary of the Company. He is also currently the Assistant Corporate Secretary of the following reporting companies: Tagaytay Highlands International Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands Inc, Yehey! Corporation, Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index



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

#### **Family relationships among Directors:**

Messrs. Valentino Sy and Wilson Sy are brothers.

#### **Independent Director**

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

#### **Involvement in Certain Legal Proceedings**

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

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

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

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, A. Bayani K. Tan. The cases filed include:

- (i) A Complaint for Syndicated Estafa (docketed as I.S. No. 02-50443-F) which was *dismissed* on 18 June 2003 by the City Prosecutor of Mandaluyong City for lack of probable cause and which dismissal was affirmed on 26 May 2004 by the Department of Justice on a Petition for Review filed by the complainants therein;
- (ii) A criminal case for Estafa and Large-Scale Swindling (docketed as Criminal Case No. Q02-114052) before the Regional Trial Court (RTC) of Quezon City. This case was *dismissed* by the RTC in its Omnibus Order dated 29 November 2005, which dismissal was affirmed with finality on 22 February 2007 by the RTC due to complainant's failure to file a proper notice of appeal within the prescribed period.
- (iii) Civil actions for breach of contract and/or annulment of contract, specific performance, quieting of title and reimbursement, damages with request for receivership and preliminary attachment (Civil Case Nos. MC03-075, MC03-077, and MC04-082) before the RTC of

Mandaluyong City, which cases have been settled and the RTC Mandaluyong has on 08 February 2006, promulgated a Joint Decision approving the Settlement Agreement, Supplemental Agreement, and Second Supplemental Agreement re: Civil Case Nos. MC03-077 and MC04-082. RTC Mandaluyong noting the settlement of Civil Case Nos. MC03-077 and MC04-082 has likewise issued an Order dated 18 May 2006 re: Civil Case No. MC03-075 holding that the aforementioned settlement agreement likewise puts an end to Civil Case No. MC03-075, as it involves substantially similar factual antecedents, and holding further that the complaint and counterclaims of the parties are withdrawn *with prejudice*.

#### Significant Employees

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

#### Item 10. Executive Compensation

Except for Messrs. Edmundo P. Bunyi, Jr., all of the Company's directors and officers have not received any form of compensation from inception up to present other than a per diem of P6,000.00 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 a stock option plan covering all its officers, directors and regular employees, however, the plan is not yet effective since the Company has not designated the number of shares to be covered by the plan. The Company has no price or stock warrants.

#### Summary Compensation Table (Annual Compensation)

Name and Principal Position	Year	Annual Compensation
Valentino C. Sy Chairman & CEO		
Edmundo P. Bunyi, Jr. President & COO		
Joseph L. Ong Treasurer		
All officers and directors as a group	2012 (Estimate)	5,511,000.00
	2011	6,087,284.15
	2010	5,261,529.24
	2009	5,185,558.74

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

##### 1. Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2012, Vantage Equities, Inc. knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with the Company	Record (r) Beneficial (b) Owner	Citizenship	Number of Shares	Percent of Class
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,128,580,395	95.22%

(\*)PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of the shares under the name of PCDNC are PCD's participants who

hold the shares in their own behalf or in behalf of their respective clients. No single PCD participant currently owns more than 5% of the Corporation's shares forming part of the PCDNC account except as follows:

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with Company	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wealth Securities, Inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,752,741,820 r	Filipino	82.18%

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with Company	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wealth Securities, Inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,752,741,820	Filipino	82.18%

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

Class	Name and Address of Record Owner and Relationship with Issuer	Relationship with Company	Citizenship	Number of Shares	% Held
Common	Crentive Wisdom, Inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	684,611,968	32.59%

## 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 2012:

Title of Class	Name of Record/Beneficial Owner	Amount & Nature of Record/Beneficial Ownership	Citizenship	Percent of Class
Common	Edmundo P. Bunyi, Jr.	10,000 [r b]	Filipino	---
Common	Ignacio B. Gimenez	12,500 [r b]	Filipino	---
Common	Roberto Z. Loayes	25,000 [r b]	Filipino	---
Common	Willy N. Ocier	62,500 [r b]	Filipino	---
Common	Joseph L. Ong	12,500 [r b]	Filipino	---
Common	Antonio R. Samson	62,500 [r b]	Filipino	---
Common	Valentino L. Sy	175,000 [r b]	Filipino	---
Common	Wilson L. Sy	1,150,000 [r b]	Filipino	0.05%
Common	A. Bayani K. Tan	1,437 [r b]	Filipino	---
TOTAL	Aggregate ownership of all directors and officers as a group unnamed	1,511,437 [r b]	Filipino	0.07%

## Voting Trust Holders of 5% or More

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

## Changes in Control

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

## Item 12. Certain Relationships and Related Transactions

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

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

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

12.1 Short-term advances made by PEMI to Philequity Fund, Inc. were presented under 'Loans and receivables' in the amount of P5M.

12.2 PEMI has a consultancy agreement with a board member of the Company amounting to P1.8M accrued in 2011 and subsequently paid in February 2012.

12.3 In 2011, Yehey!, eBiz Financial Services, Inc. and Philequity Fund, Inc. participated in the Parent Company's investment in credit-linked note by purchasing P359.52M at face value. The Company serves as the receiving agent of all coupon interest for the entire duration of the participation.

12.4 The Company waived the collection of rental for the lease of office of Yehey! of the years 2010 and 2011.

12.5 In 2011, 2010 and 2009, the Parent Company paid certain expenses of e-Business, Yehey!, PEMI and iCurrencies, which were later billed for reimbursement.

12.6 Compensation of key management personnel of the Group:

	2011	2010	2009
Salaries and wages	15,555,985.00	16,445,855.00	17,880,831.00
Retirement benefits	848,770.00	220,140.00	141,738.00
	16,404,755.00	16,665,995.00	18,022,569.00

## PART IV – CORPORATE GOVERNANCE

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

## PART V – EXHIBITS AND SCHEDULES

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

a. Exhibits – See accompanying index to exhibits.

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

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

b. Reports on SEC Form 17 – C

**SEC Form 17-C filed 30 May 2011**

Letter to PSEI dated 26 & 27 May, 2011 Re: Resignation of Ms. Violeta Luymas Independent Director

**SEC Form 17-C filed 31 May 2011**

Letter to PSEI dated 31 May 2011 Re: Schedule of Annual Stockholders' Meeting and Record Date

**SEC Form 17-C filed 14 July 2011**

Letter to PSEI dated 13 July 2011 Re: Minutes of the Annual Stockholders' Meeting (List of elected Directors & Officers of the Corporation and List of elected members of various Board Committees

**SEC Form 17-C filed 14 November 2011**

Letter to PSEI dated 9 Nov. 2011 Re: Appointment of Atty. Darwin S. Ocampo as the Corporation's Assistant Corporate Secretary

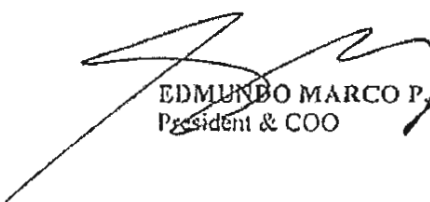
## SIGNATURES

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

VANTAGE EQUITIES, INC.

By:

  
**VALENTINO C. SY**  
 Chairman & CEO

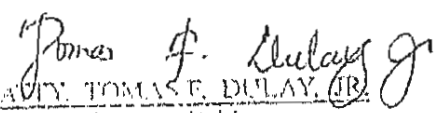
  
**EDMUNDO MARCO P. BUNYI, JR.**  
 President & COO

  
**MA. ANGELICA D. CABANIT**  
 Comptroller

SUBSCRIBED AND SWORN to before me this 06 JUN 2012 at Pasig City, affiants exhibiting to me their Community Tax Certificates

Name	CTC No.	Date of Issue	Place of Issue
Valentino C. Sy	25977454	February 23, 2012	Pasig City
Edmundo Marco P. Bunyi, Jr.	17608337	January 11, 2012	Manila
Ma. Angelica D. Cabanit	26166792	February 24, 2012	Manila

Doc No. 217  
 Page No. 44  
 Book No. 146  
 Series of 2012.

  
**ATTY. TOMAS F. DULAY, JR.**  
 Atty. Public  
 Until December 31, 2014  
 Roll No. 1273 - BA-15-61  
 DOJ No. 1273 - Q.C.  
 PRR No. 1273 - 01-02-12 - Q.C.  
 TIR No. 1273 - 01-02-12 - Q.C.  
 92 Leg. 1273 - 01-02-12 - Q.C.  
 NOTLE EXHIBIT

**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, 2011 and 2010  
Consolidated Statements of Income and Retained Earnings for the  
Years Ended December 31, 2011, 2010 and 2009  
Consolidated Statements of Cash Flows for the Years Ended  
December 31, 2011, 2010 and 2009  
Notes to Consolidated Financial Statements

**Supplementary Schedules**

**Report of Independent Public Accountants on Supplementary Schedules**

- A. Marketable Securities – (Current Marketable Equity Securities and Other Short-Term Cash Investments)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
- C. Non-Current Marketable Equity Securities, Other Long-Term Investments and Other Investments
- D. Indebtedness to Unconsolidated Subsidiaries and Affiliates
- E. Property, Plant and Equipment
- F. Accumulated Depreciation
- G. Intangible Assets – Other Assets
- H. Long-Term Debt
- I. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
- J. Guarantee of Securities of Other Issuers
- K. Capital Stock

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

<u>No.</u>		<u>Page No.</u>
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re: Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	*
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

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



## COVER SHEET

AS 0920 - 07059

S.E.C. Registration Number

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

(Company's Full Name)

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

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

MR. EDMUNDO P. BUNYI JR

Contact Person

689-8090

Company Telephone Number

12

Month

31

Day

Fiscal Year

17 - Q

FORM TYPE

03

Month

31

Day

12

Year

Period Ended

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

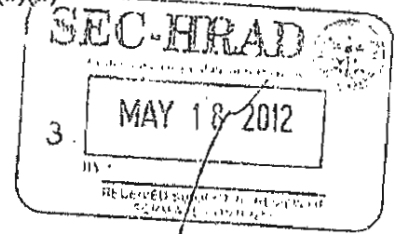
Document I.D.

Cashier

STAMPS

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



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

6.  (SEC Use Only)  
Industry Classification Code

Address of Principal Office:  
Unit 2703A East Tower, Philippine Stock Exchange Centre,  
Exchange Road, Ortigas Center, Pasig City

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	2,235,390,633

10. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes ☒ No ☐

11. Check whether the registrant:

- a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes ☒ No ☐
- b) has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

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

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

#### Financial Highlights

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

#### Results of Operations for the Quarter Ended March 31, 2012

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

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

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

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

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

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

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

**Yehey! Corporation ("Yehey")**

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

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

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

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

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

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

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

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

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

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

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

*16% decrease in internet sales and services*

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

*14% decrease in money changing and foreign exchange*

Profit opportunities are not as attracted as last year.

*9% increase in interest income*

Mainly due to additional fixed income securities.

*35% increase in mutual fund income*

Mainly due to increase in assets under administration.

*6% decrease in general and administrative expenses*

Largely due to management cost reduction effort.

*13% decrease in cost of services and sales*

Primarily due to decrease in internet sales and services.

*20% decrease in depreciation and amortization*

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

Balance Sheet items - March 31, 2012 versus end 2011

*44% decrease in receivables*

Mainly due to Western Union transactions.

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

Primarily due to lower currency forward contracts.

*7% increase in available-for-sale securities*

Largely due to increase in equities and mutual fund investments.

*5% decrease in accrued retirement cost*

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

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

Mainly due to revaluation of fixed income and equities securities.

## **ART II – OTHER INFORMATION**

### **PFRS 9 – Financial Instruments: Recognition and Measurement**


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

## SIGNATURES


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

VANTAGE EQUITIES, INC.

By:



EDMUNDO MARCO P. BUNYI, JR.  
President & COO



MA. ANGELICA D. CABANIT  
OIC Comptroller

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	Unaudited March 31, 2012	Audited 31-Dec-11
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	901,394,708	540,411,971
Receivables - net (Note 6)	564,829,796	824,597,007
Financial Assets at Fair Value through profit or loss (FVPL) (Note 7)	66,424,065	86,739,792
Prepaid taxes and other current assets (Note 9)	18,269,048	13,899,226
<b>Total Current Assets</b>	<b>1,550,917,617</b>	<b>1,465,447,996</b>
<b>Noncurrent Assets</b>		
Available-for-sale securities (Note 8)	4,623,504,187	4,299,216,023
Investment in associates & JV - net	4,901,031	4,957,781
Deferred Tax Assets	3,819,683	2,040,989
Goodwill (Note 10)	3,654,985	3,654,985
Property and equipment - net (Note 10)	43,301,017	44,331,659
Other noncurrent assets - net (Note 11)	25,192,023	22,290,539
<b>Total Noncurrent Assets</b>	<b>4,704,372,926</b>	<b>4,376,491,976</b>
	<b>6,255,290,543</b>	<b>5,841,939,973</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 13)	184,287,861	288,465,034
Income tax payable	19,578,587	12,073,051
Current Portion of long-term debt		
<b>Total Current Liabilities</b>	<b>252,365,848</b>	<b>300,538,085</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities	903,814	1,003,292
Accrued Retirement Costs	6,711,665	7,030,626
Asset Retirement Obligation		
<b>Total Noncurrent Liabilities</b>	<b>7,615,479</b>	<b>8,033,918</b>
	<b>259,981,327</b>	<b>308,572,003</b>
<b>Stockholders' Equity</b>		
Equity attributable to equity holders of the parent:		
Capital stock - \$1 par value		
Authorized - 2,250,000,000		
Issued - 2,235,390,633	2,235,390,633	2,235,390,633
Stock Issuance Cost of a subsidiary	(3,209,910)	(3,209,910)
Cumulative net unrealized gain on change in fair value of available-for-sale investments	904,789,944	558,384,899
Retained earnings	2,935,770,099	2,801,387,551
Treasury Stocks	(188,520,838)	(188,520,838)
Minority Interest	111,089,288	129,935,635
<b>Total Stockholders' Equity</b>	<b>5,995,309,216</b>	<b>5,533,367,970</b>
	<b>6,255,290,543</b>	<b>5,841,939,973</b>

See accompanying Notes to Consolidated Financial Statements.



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

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
<b>REVENUES</b>				
Money transfer service	105,246,143	87,877,406	105,246,143	87,877,406
Equity in net earnings of associates				
Internet service and sales	5,790,503	6,892,043	5,790,503	6,892,043
Money changing and foreign exchange	11,788,082	11,524,563	11,788,082	11,324,563
Interest income	30,951,957	25,899,527	30,951,937	25,899,527
Trading Gain/Loss	47,359,592	126,775,102	47,359,592	126,775,102
Income from Mutual Fund	19,480,583	13,388,470	19,480,583	14,388,470
Others	13,851,333	2,456,982	13,851,333	2,456,982
	234,469,373	275,614,093	234,469,373	275,614,093
<b>EXPENSES</b>				
General and administrative expenses (Note 15)	82,166,362	87,559,109	82,166,362	87,559,109
Cost of services and sales	34,500,503	7,378,650	34,500,503	7,378,650
Depreciation and amortization	4,398,208	5,377,889	4,398,208	5,377,889
	120,965,073	100,315,648	120,965,073	100,315,648
<b>INCOME FROM OPERATIONS</b>	113,503,300	175,298,445	113,503,300	175,298,445
<b>OTHER INCOME (CHARGES)</b>				
Interest and bank charges - net	(975,513)	(407,746)	(975,513)	(407,746)
Others	(68,284)	(68,284)	(68,284)	(68,284)
	(1,043,797)	(407,746)	(1,043,797)	(407,746)
<b>INCOME BEFORE EXTRA-ORDINARY</b>				
Income/Expense	112,459,503	174,890,699	112,459,503	174,890,699
Extra-Ordinary Income/(Exp.)				
<b>INCOME BEFORE INCOME TAX</b>	112,459,503	174,890,699	112,459,503	174,890,699
<b>PROVISION FOR INCOME TAX</b>				
Current	10,149,093	13,751,705	(18,972,000)	13,751,705
Deferred		1,511,037	(1,511,037)	1,511,037
	10,149,093	15,262,742	(20,483,037)	15,262,742
<b>NET INCOME (LOSS)</b>	102,310,408	159,627,957	93,976,506	159,627,957
<b>Attributable to:</b>				
Equity holders of the parent (Note 15)	95,385,467	155,264,433	95,385,467	155,264,433
Minority interests	6,924,941	4,363,525	6,924,941	4,363,525
	102,310,408	159,627,958	102,310,408	159,627,958
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent (as adjusted w/ 254b stock dividend &amp; Treasury Shares)</b>				
	0.05	0.07	0.05	0.07

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

	For the Quarter Ended (Unaudited)	
	March 31, 2012	March 31, 2011
<b>CAPITAL STOCK - 1 per value</b>		
Authorized - 2,250,000,000 shares		
Issued - 2,235,390,633 shares		
Balance at beginning of year	2,235,390,633	2,235,390,633
Stock issuance cost of a subsidiary	(3,209,910)	(3,209,910)
Stock dividends issued		
Balance at end of period	2,232,180,723	2,232,180,723
<b>CUMULATIVE NET UNREALIZED GAIN ON CHANGE IN FAIR</b>		
<b>VALUE OF AVAILABLE-FOR-SALE SECURITIES</b>		
Balance at beginning of year	538,384,899	420,177,574
Unrealized Gain/(loss)	346,405,043	(122,407,357)
Balance at end of period	884,789,942	297,770,217
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of year	2,840,384,631	2,286,681,994
Net income (loss)	95,385,469	159,627,958
Share in Minority Interest		(4,869,450)
Stock Dividend		
Balance at end of period	2,935,770,100	2,441,946,502
<b>TREASURY SHARES</b>	(168,520,838)	(168,520,838)
<b>MINORITY INTEREST</b>		
Balance at beginning of year	129,935,635	114,817,421
Minority share in the capital stock from issuance of property dividend		
Total income and expenses recognized during the period	(18,846,347)	4,383,450
Balance at end of period	111,089,288	119,180,971
	8,998,309,216	4,902,337,475

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

For the Quarter Ended (Unaudited)  
March 31, 2012      March 31, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before Tax	112,459,503	174,890,698
Depreciation and amortization	4,298,208	5,377,889
Interest expense	975,513	1,648,954
Dividend income	(6,145,863)	(41,615,977)
Interest income	(30,951,937)	(25,899,527)
Operating income before working capital changes	80,635,424	114,402,037
Changes in operating assets and liabilities:		
Decrease (increase):		
Receivable	259,567,211	190,223,890
Prepaid expenses and other current assets	(4,369,822)	1,656,322
Increase (decrease) in accounts payable and other current liabilities	(108,918,589)	(99,547,694)
Net cash provided by (used for) operations	226,914,224	206,734,555
Interest paid	(975,513)	(1,648,954)
Dividends received	6,145,863	41,615,977
Interest received	30,951,937	25,899,527
Net cash provided by (used in) operating activities	263,036,511	272,601,105
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Property and equipment	(3,267,564)	11,079,860
Decrease (increase) in AFS/HTM	(303,972,437)	(519,745,766)
Increase (decrease) in net unrealized gain on AFS	346,405,045	282,850,358
Decrease (increase in) other assets	(3,000,962)	(1,125,230)
Net cash provided by (used in) investing activities	36,220,832	(224,940,778)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Increase (decrease) in minority interest	13,225,793	12,388,308
Acquisition of Treasury Shares	-	(150,424,438)
Payment of loans	48,499,601	46,040,744
Cash used in financing activities	61,725,394	(91,995,386)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>360,982,737</b>	<b>(44,335,059)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>540,411,971</b>	<b>485,624,364</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>901,394,708</b>	<b>441,289,305</b>

## VANTAGE EQUITIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General Information

##### Corporate Information

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

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

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

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

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

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

\* Indirectly owned through e-Business

The Parent Company is the ultimate parent of the Group.

#### e-Business

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

#### eBiz Financial

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

#### iCurrencies

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

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

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

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

#### Yehey!

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

#### PEMI

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

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

### Statement of Compliance

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

### Basis of Consolidation

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

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

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

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

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

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

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

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

### Non-Controlling Interest

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

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

allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretation under International Financial Reporting Interpretation Committee (IFRIC) which were adopted as of January 1, 2010:

#### *New Standards and Interpretations*

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

#### *Amendments to Standards*

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

#### *Improvements to PFRS*

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

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

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

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

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

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

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

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

#### Foreign Currency Translation

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

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

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

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

##### *Initial recognition of financial instruments*

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

##### *Determination of fair value*

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

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



#### *'Day 1' difference*

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

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

#### *Financial instruments at FVPL*

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

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

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

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

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

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

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

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

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

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

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

#### *Loans and receivables*

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

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

#### *AFS investments*

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

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

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

#### Accounts Payable and other current liabilities and long-term debt

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

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

#### Financial Liabilities

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

A financial liability is held for trading if:

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

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

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

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

#### Derecognition of Financial Assets and Liabilities

##### Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the

asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liabilities*

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

#### Offsetting Financial Instruments

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

#### Impairment of Financial Assets

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

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

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

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

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

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

#### *AFS investments*

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

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

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

#### Cash and cash equivalents

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

#### Investments in associate and joint venture

##### *Investment in associate*

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

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

##### *Investment in joint venture*

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

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

#### Property and Equipment

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

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

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

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

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

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

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

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

#### Software and Website

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

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

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

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

#### Goodwill

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

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

#### Revenue Recognition

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

#### *Commission Income*

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

#### *Advertising, Web Development and Internet Service*

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

#### *Money Changing Gain*

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

#### *Foreign Exchange Differential*

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

#### *Interest Income*

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

#### *Dividend Income*

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

#### *Service Income*

Service income is recognized when the services are rendered.

#### *Management fee*

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

#### *Gain or Loss on Sale of AFS Investments*

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



#### Leases

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

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

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

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

#### Retirement Costs

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

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

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

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

### Income Taxes

#### *Current Tax*

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

#### *Deferred Tax*

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

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

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

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

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

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

### Equity

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

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

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

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

### Basic/Diluted Earnings (Loss) Per Share

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

### Provisions

#### *General*

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

#### *Asset Retirement Obligation*

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

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

### Contingent Liabilities and Contingent Assets

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

### Events after the Reporting Period

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

### Dividends on common shares

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

### Segment reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 4. The Group's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

#### *Improvements to PFRSs 2010*

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

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

#### *Effective in 2012*

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

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

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

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

##### *Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate*

This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this interpretation will have no effect on the financial statements of the Group.

#### *Effective in 2013*

##### *PFRS 9, Financial Instruments: Classification and Measurement*

PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in the middle of 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Group will quantify the effect of the first phase of PFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture of the impact of adoption.

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

### 3. Significant Accounting Judgments, Estimates and Assumptions

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

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

#### Judgments

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

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

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

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

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

#### Estimates

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

a) *Fair value of financial instruments*

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

b) *Allowance for credit losses*

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

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

c) *Impairment of AFS equity investments*

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

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

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

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

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

*Impairment of nonfinancial assets (except Goodwill)*

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

e) *Impairment of Goodwill*

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

Key assumptions used in value in use calculations

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

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

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

Sensitivity to Changes in Assumptions

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

Goodwill amounted to P3.7 million as of September 30, 2011 and 2010.

f) *Asset retirement obligation*

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

g) *Accrued retirement costs*

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

h) *Deferred Tax Assets*

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

i) *Legal Contingencies*

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

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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.

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5. **Cash and Cash Equivalents**

This account consists of:

	31-Mar-2012	31-Dec-2011
Cash on hand and in banks	P349,556,553	P252,712,417
Short-term investments	551,838,155	287,699,554
	P901,394,708	P540,411,971

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



## 6. Receivables

This account consists of:

	31-Mar-12	31-Dec-11
Trade	42,775,043	68,175,146
Due from:		
Western Union	207,315,327	317,017,898
Broker	-	48,291,151
Sub-agents	15,285,589	15,285,589
Affiliates	8,611,374	9,257,840
Business partners	-	3,196,168
Unquoted debt securities	291,279,500	296,979,500
Receivable from advertising and web development services	-	33,668,119
Accrued interest	20,495,121	34,057,391
Advances to Officers & Employees	2,117,386	2,737,208
Miscellaneous assets	-	-
Others	18,241,267	15,692,840
	606,120,606	874,357,850
Less allowance for doubtful accounts	41,290,810	49,960,843
	564,829,796	824,397,007

### Aging of Accounts Receivable as of March 31, 2012

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

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

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

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

The terms and conditions of receivables are as follows:

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

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

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

## 7. Financial Assets at FVPL

This account consists of investments in:

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

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

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

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

### Currency Forward Contracts

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

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**8. Available-For-Sale Investments**

This account consists of investments in:

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

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**9. Prepaid Expenses and Other Current Assets**

This account consists of:

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

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**10. Property and Equipment**

This account consists of:

	31-Mar-12	31-Dec-11
Cost	325,655,516	326,912,300
Less accumulated depreciation	282,354,499	282,580,611
	43,301,017	44,331,659

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**11. Other Noncurrent Assets**

This account consists of:

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

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

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**12. Accounts Payable and Other Current Liabilities**

This account consists of:

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

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.

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### 13. Long-term Debt

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

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

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### 14. Asset Retirement Obligation

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

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

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

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**15. General and Administrative Expenses**

This account consists of:

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

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**16. Lease Commitments**

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

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**17. Retirement Costs**

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

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**18. Equity**

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

The details of this account are shown below:

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

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

b. Treasury stock

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

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

**c. Stock Option Plan**

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

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**19. Related Party Transactions**

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

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**20. Financial Risk Management Objectives and Policies**

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

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

**Credit Risk**

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

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

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

#### Liquidity Risk

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

#### Market Risk

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

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

#### *Interest Rate Risk*

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

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

#### *Foreign Currency Risk.*

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

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

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



#### *Equity Price Risk*

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

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

#### Capital Management

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

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

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

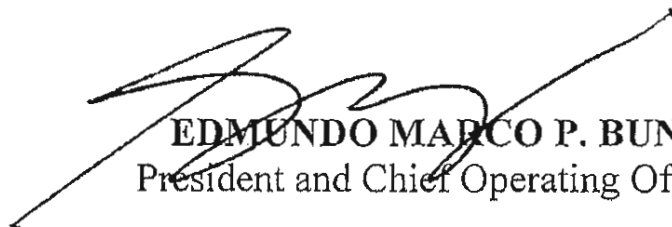
#### **21. Basic/Diluted Earnings (Loss) Per Share**

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

UNDERTAKING

The undersigned, being the President and Chief Operating Officer of **VANTAGE EQUITIES, INC.** (the "Corporation"), hereby undertakes, for and in behalf of the Corporation, that the second quarter report for the period ended 30 June 2012 shall be made available during the scheduled Annual Stockholders Meeting of the Corporation on 4 August 2012.

This Undertaking is being issued in compliance with the Securities and Exchange Commission's requirements for the approval of the Corporation's Definitive Information Statement (Definitive 20-IS) to be distributed to the Corporation's stockholders before the Annual Stockholder's Meeting.




**EDMUNDO MARCO P. BUNYI**  
President and Chief Operating Officer

SUBSCRIBED AND SWORN to before me this 13<sup>th</sup> day of July 2012 at Pasig City, affiant exhibiting to me his Community Tax Certificate No. 17108337 issued on 06.11.12 at the City of Manila, as well as his Tax Identification Number 187-184-956

Doc. No. 256;  
Page No. 13;  
Book No. 17;  
Series of 2012.

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**MARIA CECILIA V. SORIA**  
Notary Public for and in the Cities of Pasig, Taguig,  
San Juan and Municipality of Pateros  
Appointment No. 193 (2011-2012)  
Commission Expires on December 31, 2012  
2704 East Tower, Phil. Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City 1605  
PTR No. 7545983 / 01.04.2012 / Pasig City  
IBP No. 875664 / 12.27.2011 / RSM  
Roll No. 54537