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

1. For the calendar year ended December 31, 2010

2. SEC Identification Number – AS092-07059

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

7. Address of Principal Office: **2703A East Tower, Philippine Stock Exchange Centre Exhange Road, Ortigas Center, Pasig City**

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	**2,235,390,633(excluding Treasury Shares of 134,855,500)**

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

12. Check whether the registrant:
    a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
    Yes [X]   No [ ]

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

13. Aggregate market value of the voting stock held by non-affiliates as of 31 March 2011
    ₱1,472,679,163.52

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Vantage Equities, Inc. (the "Company"), 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 Pesos One Billion Nine Hundred Million (Php 1,900,000,000), all of which are in common shares with a par value of Php 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 PesosP2,250,000,000.00. 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 04 June 2008 and ratified by its shareholders on 27 June 2008. As of 31 March 2011, Vantage Equities, Inc. has an authorized capital stock of Two Billion Two Hundred Fifty Million Pesos (P2,250,000,000.00) divided into Two Billion Two Hundred Fifty Million (2,250,000,000) common shares with par value of ₱1.00 per share. Out of the authorized capital stock, Two Billion Two Hundred Thirty Five Million Three Hundred Ninety Thousand Six Hundred Thirty Three (2,235,390,633) shares are outstanding and Fourteen Million Six Hundred Nine Thousand Three Hundred Sixty Seven (14,609,367) shares are unsubscribed.

The Company reverted back 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 Company divested its shareholdings in International Exchange Bank ("iBank"), its largest single investment at that time. The iBank sale generated Php 2.9 billion in cash and a Php 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 Company decided to invest its Php 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 include the following companies:

eBusiness 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 2010, eBiz had over 1,000 locations nationwide: 154 in company-owned branches and the rest in sub-agent locations. The company employs more than 500 employees.

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 Php 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 2009.

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

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

Financial Performance

The Company derived its revenues from investment activities.

	2010	2009	2008
Money transfer service fee	**₱294,806,613**	₱309,518,913	₱222,311,301
Interest income from:			
AFS investments	**93,852,163**	79,283,201	89,527,063
Cash and cash equivalents	**13,850,853**	14,927,210	13,968,285
Receivables	–	122,575	11,246,652
Financial assets at FVPL	**6,621,675**	17,764,766	8,109,976
Others	–	723,927	–
Money changing and foreign exchange gain	**59,577,996**	71,273,614	87,967,842
Dividend income	**45,775,827**	61,716,274	51,695,253
Share in foreign exchange differential	**75,767,180**	73,882,915	61,528,820
Advertising, web development and internet service	**30,406,652**	37,940,925	70,518,660
Management fee and service income	**43,623,335**	32,631,160	31,092,667
Others	**2,333,776**	–	3,456,778
	₱666,616,070	₱699,785,480	₱651,423,297

Item 2. Properties

The Company owns two (2) condominium units at the East Tower of Philippine Stock Exchange Centre (PSE Centre) located at Exchange Road, Ortigas Center, Pasig City and three (3) condominium units at the Discovery Centre located at ADB Avenue, 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

None.

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

None.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Stock Prices (as adjusted)

	2011		2010		2009	
	High	Low	High	Low	High	Low
1st Quarter	1.88	1.43	1.46	1.26	1.00	0.82
2nd Quarter	n/a	n/a	1.52	1.42	1.18	0.90
3rd Quarter	n/a	n/a	1.44	1.37	1.16	1.00
4th Quarter	n/a	n/a	1.44	1.40	1.34	1.10

Adjusted for 25% stock dividend on 5 February 2009.

As of 31 March 2011, there were 697 shareholders of the 2,235,390,633 common shares issued and outstanding. As of the close of trading on 31 March 2011, the Registrant's shares were traded at the price of ₱1.88 per share.

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 March 31, 2011:

No.	Name	No. of shares hold	% to Total
1.	PCD Nominee Corporation	2,114,014,316	94.57
2.	Pua Yok Bing	23,862,500	1.067
3.	East Pacific Investors Corporation	12,273,750	0.549
4.	Trans- Asia Securities, Inc.	8,080,000	0.361
5.	Dexter L. Lee	5,057,187	0.226
6.	Sysmart Corporation	5,000,000	0.224
7.	Sysmart Corporation	3,428,375	0.153
8.	Lucio W. Yan &/Or Clara Yan	3,406,250	0.152
9.	John Peter Yu &/Or Juan Yu	2,500,000	0.112
10.	Ricardo L. Ng	1,624,375	0.073
11.	Suzanne Lim	1,437,500	0.064
12.	Harley Sy	1,437,500	0.064
13.	Cygnet Development Corporation	1,406,250	0.063
14.	Jerry Tiu	1,365,625	0.061
15.	PCD Nominee Corporation (Non-Filipino)	1,302,312	0.058

16.	Juan Go Yu &/or Grace Chu Yu	1,200,000	0.054
17.	Campos, Lanuza & Co., Inc.	1,161,500	0.052
18.	Wilson L. Sy	1,150,000	0.051
19.	David Go Securities Corp.	1,135,000	0.051
20.	Eastern Securties Development Corporation	731,000	0.033

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

In Millions	2010	2009	2008
Balance Sheet			
Assets	5,301.53	4,491.29	3,802.12
Liabilities	436.20	365.91	275.77
Stockholders' Equity	4,865.34	4,125.39	3,526.35
Book Value per Share as adjusted w/ 25% stock dividend	2.18	1.90	1.58
Income Statement			
Revenues	666.62	699.79	651.42
Expenses	455.04	473.14	501.68
Other Income / (Charges)	549.74	155.27	(571.29)
Net Income	716.62	365.19	(435.86)
Earnings per Share	0.33	0.16	(0.19)
Key Ratios			
Current Ratio	5.3	5.3	4.6
Assets to Equity	1.1	1.1	1.1
Liabilities to Equity	0.1	0.1	0.1
Return on Ave. Assets	14.6%	9%	-11%
Return on Ave. Equity	15.9%	9%	-11%

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 2008. The decline in gross revenues is largely attributed to the lower revenues contributed by the web development segment in 2010 of about Php19 million from Php28 million in 2009. Likewise, Portal and E- commerce segment contributions decreased by Php1.5 million. Only the Media Sales and Digital PR segments showed improvement in revenues. Media Sales revenues increased to Php6 million in 2010 from Php2.3 million in 2009 while Digital PR revenues marginally improved to Php4.7 million in 2010 from Php4.4 million in 2009.

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

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

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

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

Philequity Management, Inc.

PEMI's 2010 revenues increased from Php31.4 million in 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 Php9.8million from Php20million.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.

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.

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	66
Director Chairman & CEO	2002 to present 2005 to present	Valentino L. Sy	Filipino	55
Director President & COO	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	46
Director Treasurer	2003 to present 2005 to present	Joseph L. Ong	Filipino	57
Director	1999 to present	Willy N. Ocier	Filipino	54
Director	1998 to 2000 & 2003 to present	Violeta O. Luym	Filipino	64
Director	2003 to present	Roberto Z. Lorayes	Filipino	67
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	58
Director	2005 to present	Antonio R. Samson	Filipino	65
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	55
Asst. Corporate Secretary	2010 to present	Romelyn A. Obligacion	Filipino	27

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

Mr. Ocier has been a Director of the Company since 1999. He is presently the Chairman of APC Group, Inc. and Sinophil Corporation. He is also the Vice-Chairman of Belle Corporation. He is a member of the Manila Golf Club, Inc., Wack-Wack Golf and Country Club, and the Manila Polo Club. He graduated from the Ateneo de Manila University with a Bachelor of Arts Degree Major in Economics.

Violeta O. Luym

Ms. Luym was reelected to the Board in 2003. She was a Director of the Company from 1998 until 2000. She is the Treasurer and Director (1994 – present) of the following mutual funds, namely, Philequity Fund, Inc., Philequity Money Market Fund, Philequity PSE Index Fund, and Philequity Dollar Income Fund. Concurrently, she is a Director of Banco de Oro, a universal bank. She holds a Masters Degree in Business Administration from the University of California, Los Angeles and a Bachelor of Science Degree in Business Administration from the Assumption College.

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

Atty. Tan has been the Company's Corporate Secretary since 1993. He is currently a Director and Corporate Secretary of First Abacus Financial Holdings Corp. (1994 - present); Sinophil Corporation (1993 - present); TKC Steel Corporation (2007 - present); Tagaytay Highlands International Golf Club, Inc. (1993 - present); Sterling Bank of Asia, Inc. (2007 - present); Destiny Financial Plans, Inc. (2003 - present as Director and 2009 - present as Corporate Secretary); FHE Properties, Inc., (1995 - present); Club Asia, Inc., (1999 - present); HSAI-Raintree, Inc. (1999 - present); and Job1 Global, Inc. (2006 - present as Director and 2009 - present as Corporate Secretary). He is also a Director of Highlands Gourmet Specialist Corporation (2006 - present); Destiny LendFund, Inc. (2005 - present); I-Remit, Inc. (2007 - present); and Citycane Corporation (1993 - present). He is the Corporate Secretary of Belle Corporation (1994 - present); Pacific Online System Corporation (2007 - present); Yehey! Corporation (1994 - present); Philequity Fund, Inc. (1997 - present); Philequity Peso Bond Fund, Inc. (2000 - present); Philequity Dollar Income Fund, Inc. (1999 - present); Philequity PSE Index Fund, Inc. (1999 - present); Tagaytay Midlands Golf Club, Inc. (1997 - present); The Country Club at Tagaytay Highlands, Inc. (1995 - present); The Spa and Lodge at Tagaytay Highlands, Inc. (1999 - present); Monte Oro Resources and Energy, Inc. (2005 - present); E-Business Services, Inc. (2001 - present); Hella-Phil., Inc. (1992 - present); JTKC Equities, Inc. (1998 - present); Goodyear Steel Pipe Corporation (1999 - present); Star Equities, Inc. (2006 - present); Tera Investments, Inc. (2001 - present); Winstone Industrial Corporation (1998 - present); Winsteel Manufacturing Corporation (1998 - present); JTKC Realty Corporation (1998 - present); Southern Visayas Property Holdings, Inc. (2003 - present); Pan Asean-Multi Resources Corporation (1998 - present); Union Pacific Ace Industries, Inc. (1998 - present); The Discovery Leisure Company, Inc. (2001 - present); Oakridge Properties, Inc. (1998 - present); Discovery Country Suites, Inc. (2004 - present); JTKC Land, Inc. (2003 - present); Donau Deli, Inc. (2001 - present); Donau Gourmet, Inc. (2007 - present); Touch Solutions, Inc. (2007 - present); Treasure Steelworks Corporation (2009 – present) and Karen Marie L. Ty Foundation, Inc. (1995 - present). He is a Trustee and the Corporate Secretary of Wellington Dee Ty Foundation, Inc. (2004 - present) and Movers for Renewed Hope (2009 - present). He is also a Trustee (2004 - present) and currently is the Executive Vice President of UP Law '80 Foundation, Inc.

Atty. Tan is also the Managing Partner of the law firm of Tan Venturanza Valdez. He also concurrently holds the following positions: Managing Director, Shamrock Development Corporation (1998 - present); Managing Trustee, SC Tan Foundation, Inc. (1986 - present); Chairman & President, Yehey! Money, Inc. (2001 - present); Legal Counsel, Xavier School, Inc. (2005 - present); Director and Corporate Secretary of St. Scholastica's Hospital-Catarman, Inc. (2010 - present)

In the last five years, he has held the following positions: Director, Monte Oro Resources and Energy, Inc. (2005 – 2008); Director, Philequity Fund, Inc. (1997 – 2007); Director, Philequity Peso Bond Fund, Inc. (2000 – 2007); Director, Philequity Dollar Income Fund, Inc. (1999 – 2007); Director, Philequity PSE Index Fund, Inc. (1999 – 2007); Director, APC Group, Inc. (1996 – 2006); Director, Metro Manila Turf Club, Inc. (1995 – 2006); Corporate Secretary, International Exchange Bank (1995 – 2006).

Atty. Tan holds a Master of Laws degree from New York University, USA (class of 1988). He obtained his Bachelor of Laws degree from the University of the Philippines in 1980 where he was a member of the Order of the Purple Feather (the UP College of Law Honor Society) having ranked ninth in his class. Atty. Tan was admitted to the Philippine Bar in 1981 after placing sixth in the examinations. He also has a Bachelor of Arts Degree (Majored in Political Science) from San Beda College (class of 1976) from where he graduated class valedictorian and was awarded the medal for academic excellence.

Romelyn A. Obligacion

Atty. Obligacion is the Company's Assistant Corporate Secretary since 2010. She is currently the Corporate Secretary Core Lifestyle Clothing, Inc. (2010 - present); Emerald Bookazine, Inc. (2010 - present); Emerald Headway Distributors, Inc. (2010 - present); Stage Craft International, Inc. (2010 - present); and Stronghold Steel Corporation (2010 - present). She is also the Assistant Corporate Secretary of Aldex Realty Corporation (2010 - present); Dakota Residences (2010 - present); Demikk Holdings, Inc. (2010 - present); Demikk Realty, Inc. (2010 - present); Hella-Phil., Inc. (2010 - present); JTKC Land, Inc. (2010 - present); JTKC Realty Corporation (2010 - present); Northpond Holdings and Development Corporation (2010 - present); Oakridge Properties, Inc. (2010 - present); Pan-Asean Multi-Resources Corporation (2010 - present); Philequity Balanced Fund, Inc. (2010 - present); Philequity Dollar Income Fund, Inc. (2010 - present); Philequity Foreign Currency Fixed Income Fund, Inc. (2010 - present); Philequity Fund, Inc. (2010 - present); Philequity Peso Bond Fund, Inc. (2010 - present); Philequity PSE Index Fund, Inc. (2010 - present); Philequity Resources Fund, Inc. (2010 - present); Philequity Strategic Growth Fund, Inc. (2010 - present); Philippine Creative Licensing Group, Inc. (2010 - present); Secure-Citiparking Philippines Corporation; Tagaytay Highlands International Golf Club, Inc. (2010 - present); The Spa and Lodge at Tagaytay Highlands, Inc. (2010 - present); Treasure Steelworks Corporation (2010 - present); and Yehey! Corporation (2010 - present).

Atty. Obligacion obtained her Bachelor of Laws degree from the University of the Philippines in 2009 and was admitted to the Philippine Bar in 2010. She also has a Bachelor of Arts Degree in Public Administration from the same university.

Family relationships among Directors:

Messrs. Valentino Sy and Wilson Sy are brothers.

Independent Directors

Mr. Antonio R. Samson and Ms. Violeta O. Luym were nominated and re-elected as the independent directors of the Company for 2008 to 2009 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 Company to make a significant contribution to the business.

Item 10. Executive Compensation

Except for Messrs. Edmundo P. Bunyi, Jr., all of the Company's directors and officers have not received any form of compensation from inception up to present other than a per diem of ₱6,000.00 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	2010 2009 2008	5,261,529.24 5,185,558.74 6,377,764.86

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2011, 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	Citizen-ship	Number of Shares	Percent of Class
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,114,014,316	94.57%

(*) PCD Nominee Corporation (PCDNC)

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	Citizen-ship	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	1,711,635,695 r	Filipino	80.55%

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

Class	Name and Address of Record Owner and Relationship with Issuer	Relationship with Company	Citizenship	Number of Shares	% Held
Common	Creative Wisdom, Inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	684,611,968	32.59 %
Common	Mariano Tan Ho, Jr. 21/F East Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City	Stockholder	Filipino	488,705,100	23.27 %

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 2011:

Title of Class	Name of Record/Beneficial Owner	Amount & Nature of Record/Beneficial Ownership	Citizen-ship	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. Lorayes	25,000 [r/b]	Filipino	---
Common	Violeta O. Luym	12,500 [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	1,523,937 [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.

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 08 January 2010
Letter to PSEI re: Appointment of Ms. Ethel G. Maraon-Serate as the Corporation's Assistant Corporate Secretary

SEC Form 17-C filed 8 June 2010
Letter to PSEI dated 8 June 2010 re: Schedule of Annual Stockholders' Meeting and Record Date

SEC Form 17-C filed 27 July 2010
Letter to PSEI dated 6 July 2010 re: Minutes of the Annual Stockholders' meeting (List of elected Directors & Officers of the Corporation and List of elected members of various Board Committees

SIGNATURE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on ________ , 2011.

By:

VALENTINO C. SY
Chairman & CEO

EDMUNDO P. BUNYI, JR.
President & COO

AMY G. ENGCOT
Comptroller

MAY 02 2011

SUBSCRIBED AND SWORN to before me this ____ day of ____ , 2011 affiants exhibiting to me their Community Tax Certificates as follows:

Name	C.T. Cert. No.	Date of Issue	Place of Issue
Valentino C. Sy	15633970	02-03-2011	Manila
Edmundo P. Bunyi, Jr.	01275603	01-10-2011	Manila
Amy G. Engcot	00160043	01-14-2011	Manila

Doc. No. 189;
Page No. 39;
Book No. 121;
Series of 2011.

ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until December 31, 2012
Roll No. 16583 / March 13, 1961
IBP No. 801359 / 01-03-11-Q.C.
PTR No. 4559221 / 01-03-11-Q.C.
MCLE EXEMPTED

VANTAGE EQUITIES, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17 – A, Item 7

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

INDEX TO EXHIBITS

Form 17-A

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

TABLE OF CONTENTS

VANTAGE
EQUITIES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

29 April 2011

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of **Vantage Equities, Inc. (formerly iVantage Corporation) and Subsidiaries (the Group)** is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2010 and 2009. The consolidated financial statements have been prepared in conformity with Generally Accepted Accounting Principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

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

Signed under oath by the following:

VALENTINO SY
Chairman
CTC No.: 15633970
Date/Place of Issue: Feb. 3, 2011/Manila
TIN: 122-335-536

EDMUNDO P. BUNYI JR.
President
CTC No.: 01275693
Date/Place of Issue: Jan. 10, 2011/Manila
TIN: 109-184-956

JOSEPH ONG
Treasurer
CTC No.: 1196787
Date/Place of Issue: Jan. 5, 2011/San Juan
TIN: 108-789-427

SUBSCRIBED AND SWORN to me before this 29 APR 2011 at Pasig City, affiants exhibiting to me their Community Tax Certificates.

Doc No.
Page No.
Book No.
Series of 2011.

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

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

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

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. (formerly iVantage Corporation) and Subsidiaries (the Group) included in this Form 17-A and have issued our report thereon dated April 11, 2011. 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. 68.1 and SEC Memorandum Circular No. 11, Series of 2008 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.

Christian G. Lauron

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-A
Tax Identification No. 210-474-781
BIR Accreditation No. 08-01998-64-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641531, January 3, 2011, Makati City

April 11, 2011

COVER SHEET

AS092-007059
SEC Registration Number

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

(Company's Full Name)

2703 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

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

Mr. Edmundo P. Bunyi, Jr.
(Contact Person)

689-8094
(Company Telephone Number)

12 31
Month *Day*
(Fiscal Year)

AACFS
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

None
Amended Articles Number/Section

Total Amount of Borrowings

709
Total No. of Stockholders

Domestic	Foreign
None	**₱2,925,490**

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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

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

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vantage Equities, Inc. (formerly iVantage Corporation) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, 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 three years in the period ended December 31, 2010, 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 consider 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.

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, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-A
Tax Identification No. 210-474-781
BIR Accreditation No. 08-01998-64-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641531, January 3, 2011, Makati City

April 11, 2011

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱778,376,824**	₱485,624,364
Receivables (Note 6)	**409,798,441**	461,092,766
Financial assets at fair value through profit or loss (Note 7)	**114,861,429**	267,937,575
Prepaid expenses and other current assets (Note 9)	**20,970,304**	23,733,132
Total Current Assets	**1,324,006,998**	1,238,387,837
Noncurrent Assets		
Available-for-sale investments (Note 8)	**3,892,396,507**	3,145,062,771
Investment in an associate and joint ventures (Note 10)	**3,820,708**	8,944,846
Property and equipment (Note 11)	**51,698,209**	71,915,259
Goodwill	**3,654,985**	3,654,985
Deferred tax assets (Note 23)	**6,202,186**	4,672,717
Other noncurrent assets (Note 12)	**19,754,982**	18,653,275
Total Noncurrent Assets	**3,977,527,577**	3,252,903,853
	₱5,301,534,575	₱4,491,291,690

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	**₱215,142,448**	₱214,214,214
Income tax payable	**32,143,608**	15,445,280
Current portion of long-term debt (Note 14)	**2,925,490**	2,981,025
Total Current Liabilities	**250,211,546**	232,640,519
Noncurrent Liabilities		
Accrued retirement costs (Note 21)	**6,809,806**	7,662,534
Long-term debt - net of current portion (Note 14)	**–**	3,082,975
Deferred tax liabilities (Note 23)	**175,030,767**	118,681,690
Asset retirement obligation (Note 15)	**4,145,582**	3,837,665
Total Noncurrent Liabilities	**185,986,155**	133,264,864
Total Liabilities	**₱436,197,701**	365,905,383

(Forward)

	2010	2009
Equity		
Equity attributable to equity holders of the Parent Company:		
Capital stock - ₱1 par value (Note 22)	**₱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 8)	**420,177,574**	243,477,265
Retained earnings	**2,286,681,994**	1,573,034,316
Treasury stock (Note 22)	**(188,520,838)**	(35,148,836)
	4,750,519,453	4,013,543,468
Non-controlling interest	**114,817,421**	111,842,839
Total Equity	**4,865,336,874**	4,125,386,307
	₱5,301,534,575	₱4,491,291,690

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2010	2009	2008
REVENUE (Note 16)	**₱666,616,070**	₱699,785,480	₱651,423,297
EXPENSES			
General and administrative (Note 17)	**410,858,562**	416,266,135	418,313,635
Cost of internet service and sales (Note 18)	**42,449,147**	53,310,388	74,371,528
Interest expense and bank charges	**1,733,020**	3,561,964	8,999,682
	455,040,729	473,138,487	501,684,845
GAIN (LOSS) ON SALE OF AFS INVESTMENTS (Note 8)	**504,049,829**	141,910,113	(136,479,335)
MARK-TO-MARKET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 7)	**2,589,968**	5,563,518	(6,078,046)
EQUITY IN NET EARNINGS (LOSS) OF AN ASSOCIATE AND JOINT VENTURES (Note 10)	**(3,104,763)**	1,935,156	(15,814)
IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS	**–**	–	(455,947,664)
OTHER INCOME (CHARGES) (Note 19)	**46,200,190**	23,755,434	27,230,192
INCOME (LOSS) BEFORE INCOME TAX	**761,310,565**	399,811,214	(421,552,215)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**46,885,488**	31,157,634	13,527,645
Final	**1,071,976**	164,965	–
Deferred	**(3,269,159)**	3,293,665	785,072
	44,688,305	34,616,264	14,312,717
NET INCOME (LOSS)	**₱716,622,260**	₱365,194,950	(₱435,864,932)
Attributable to:			
Equity holders of the Parent Company	**₱713,647,678**	₱361,430,972	(₱439,271,819)
Non-controlling interest	**2,974,582**	3,763,978	3,406,887
	₱716,622,260	₱365,194,950	(₱435,864,932)
Basic/Diluted Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 27)	**₱0.3344**	₱0.1619	(₱0.1965)

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009	2008
NET INCOME (LOSS) FOR THE YEAR	**₱716,622,260**	₱365,194,950	(₱435,864,932)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 8)			
Cumulative net unrealized gain (loss) on change in fair value of available-for-sale investments, net of tax	**176,700,309**	281,487,532	(187,095,949)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱893,322,569**	₱646,682,482	(₱622,960,881)
Attributable to:			
Equity holders of the Parent Company	**₱890,347,987**	₱642,918,504	(₱626,367,768)
Non-controlling interest	**2,974,582**	3,763,978	3,406,887
	₱893,322,569	₱646,682,482	(₱622,960,881)

See accompanying Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	2010						
	Attributable to Equity Holders of the Parent Company						
	Capital Stock (Note 22)	Stock Issuance Cost of a Subsidiary	Cumulative Net Unrealized Loss on Change in Fair Value of Available -for-Sale Investments, net of tax (Note 8)	Retained Earnings	Treasury Stock (Note 22)	Non-controlling interest	Total
Balance at December 31, 2009	₱2,235,390,633	(₱3,209,910)	₱243,477,265	₱1,573,034,316	(₱35,148,836)	₱111,842,839	₱4,125,386,307
Total comprehensive income, net of tax	–	–	176,700,309	713,647,678	–	2,974,582	893,322,569
Acquisition of treasury stock	–	–	–	–	(153,372,002)	–	(153,372,002)
Balance at December 31, 2010	₱2,235,390,633	(₱3,209,910)	₱420,177,574	₱2,286,681,994	(₱188,520,838)	₱114,817,421	₱4,865,336,874

See accompanying Notes to Consolidated Financial Statements.

	2009							
	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 22)	Stock Issuance Cost of a Subsidiary	Cumulative Net Unrealized Loss on Change in Fair Value of Available -for-Sale Investments (Note 8)	Retained Earnings	Treasury Stock (Note 22)	Non-controlling Interest	Total
Balance at December 31, 2008	₱1,788,312,570	(₱3,209,910)	(₱38,010,267)	₱1,658,681,407	₱–	₱120,573,861	₱3,526,347,661
Total comprehensive income	–	–	281,487,532	361,430,972	–	3,763,978	646,682,482
Distribution of stock dividends	447,078,063	–	–	(447,078,063)	–	–	–
Acquisition of treasury stock	–	–	–	–	(35,148,836)	–	(35,148,836)
Distribution of cash dividends to non-controlling interest	–	–	–	–	–	(12,495,000)	(12,495,000)
Balance at December 31, 2009	₱2,235,390,633	(₱3,209,910)	₱243,477,265	₱1,573,034,316	(₱35,148,836)	₱111,842,839	₱4,125,386,307

	2008					
	Attributable to Equity Holders of the Parent Company					
	Capital Stock (Note 23)	Stock Issuance Cost of a Subsidiary	Cumulative Net Unrealized Loss on Change in Fair Value of Available-for-Sale Investments (Note 8)	Retained Earnings	Non-controlling Interests	Total
Balance at December 31, 2007	₱1,788,312,570	(₱3,209,910)	₱149,085,682	₱2,097,953,226	₱32,380,396	₱4,064,521,964
Total comprehensive income (loss)	–	–	(187,095,949)	(439,271,819)	3,406,887	(622,960,881)
Distribution of stock dividends	–	–	–	–	84,786,578	84,786,578
Balance at December 31, 2008	₱1,788,312,570	(₱3,209,910)	(₱38,010,267)	₱1,658,681,407	₱120,573,861	₱3,526,347,661

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱761,310,565**	₱399,811,214	(₱421,552,215)
Adjustments for:			
Loss (gains) on sale of:			
Available-for-sale investments (Note 8)	**(504,049,829)**	(141,910,113)	136,479,335
Fixed assets (Note 19)	**(302,946)**	(345,686)	3,634,711
Interest income (Note 16)	**(114,324,691)**	(112,821,679)	(122,851,976)
Dividend income (Note 16)	**(45,775,827)**	(61,716,274)	(51,695,253)
Net unrealized foreign exchange loss (gain)	**21,303,159**	(28,049,973)	61,248,674
Depreciation and amortization (Notes 11 and 12)	**32,526,632**	40,576,185	40,889,799
Provision for credit losses (Note 17)	**16,519,143**	7,484,931	4,614,996
Mark-to-market loss (gain) on financial assets at fair value through profit or loss (Note 7)	**(2,589,968)**	(5,563,518)	6,078,046
Interest expense	**1,733,020**	1,318,699	8,999,682
Equity in net losses of associates (Note 10)	**3,104,763**	1,935,156	15,814
Impairment loss on investments (Note 10)	**19,375**	–	455,947,664
Loss (Gain) from disposal of property and equipment	**–**	(345,686)	–
Operating income before working capital changes	**169,473,396**	100,373,256	121,809,277
Decrease (increase) in:			
Receivables	**44,415,366**	24,451,328	(327,197,052)
Prepaid taxes and other current assets	**2,762,828**	19,970,443	6,088,567
Other assets		(5,309,547)	
Increase (decrease) in:			
Accounts payable and other current liabilities	**1,497,557**	(5,314,566)	66,006,587
Accrued retirement costs	**(852,728)**	(1,317,568)	5,433,099
Net cash generated from (used in) operations	**217,296,419**	132,853,346	(127,859,522)
Interest received	**121,203,650**	169,074,716	111,458,263
Income tax paid	**(31,140,945)**	(21,001,951)	(6,446,895)
Net cash provided by (used in) operating activities	**307,359,124**	280,926,111	(22,848,154)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Available-for-sale investments	**₱3,026,884,130**	₱2,062,963,100	₱1,307,961,547
Fair value through profit or loss	**253,832,998**	–	–
Property and equipment	**2,959,890**	361,217	–
Acquisitions of:			
AFS investments	**(2,496,432,577)**	(2,212,648,939)	(1,150,140,621)
Financial assets at fair value through profit or loss	**(88,507,950)**	–	(242,989,658)
Mutual funds	**(594,000,000)**	–	–
Property and equipment (Note 11)	**(14,148,103)**	(33,137,990)	(27,984,840)
Investments in:			
Associates and joint ventures (Note 10)	**2,000,000**	(10,751,664)	–
Dividends received	**45,775,827**	74,716,674	51,695,253
Increase in other noncurrent assets	**(1,101,708)**	(1,726,704)	(5,012,411)
Net cash provided by (used in) investing activities	**137,262,507**	(120,224,306)	(66,470,730)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares (Note 24)	**(153,372,002)**	(35,148,836)	–
Proceeds from:			
Long-term debt	–	–	7,680,000
Payments of:			
Long-term debt	**(3,138,510)**	(4,824,598)	(5,241,712)
Interest and bank charges	**(1,893,608)**	(14,701,646)	(3,771,296)
Notes payable	–	–	(41,280,000)
Bonds payable	–	(45,000,000)	(40,000,000)
Dividends paid to minority interest	–	(12,495,000)	–
Cash used in financing activities	**(158,404,120)**	(112,170,080)	(82,613,008)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**286,217,511**	48,531,725	(171,931,892)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,534,949**	28,049,974	(24,860,410)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**485,624,364**	409,042,665	605,834,967
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱778,376,824**	₱485,624,364	₱409,042,665

See accompanying Notes to Consolidated Financial Statements.

1. General Information

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

		Percentage of Ownership	
Name of Subsidiaries	Place of Incorporation	**2010**	2009
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.

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 11, 2010.

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.

<u>Foreign Currency Translation</u>
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

As of December 31, 2010 and 2009, the Group does not have HTM investments.

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

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

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

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

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

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

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

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

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

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

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

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

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 does not have any bifurcated embedded derivatives as of December 31, 2010 and 2009.

As of December 31, 2010 and 2009, the Group's financial assets at FVPL comprise investments in dollar denominated corporate bonds with embedded derivatives.

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.

Future Changes in Accounting Policies
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Effective in 2011
PAS 24 (Amended), *Related Party Disclosures*
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

PAS 32, Financial Instruments: *Presentation* (Amendment) - *Classification of Rights Issues*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment to Philippine Interpretation IFRIC-14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

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 quantity 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.

VANTAGE
EQUITIES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

29 April 2011

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of **Vantage Equities, Inc. (formerly iVantage Corporation) and Subsidiaries (the Group)** is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2010 and 2009. The consolidated financial statements have been prepared in conformity with Generally Accepted Accounting Principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

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

Signed under oath by the following:

VALENTINO SY
Chairman
CTC No.: 15633970
Date/Place of Issue: Feb. 3, 2011/Manila
TIN: 122-335-536

EDMUNDO P. BUNYI, JR.
President
CTC No.: 01275693
Date/Place of Issue: Jan. 10, 2011/Manila
TIN: 109-184-956

JOSEPH ONG
Treasurer
CTC No.: 1196787
Date/Place of Issue: Jan. 5, 2011/San Juan
TIN: 108-789-427

SUBSCRIBED AND SWORN to me before this 2 9 APR 2011 at Pasig City, affiants exhibiting to me their Community Tax Certificates.

Doc No.
Page No.
Book No.
Series of 2011.

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

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

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

**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. (formerly iVantage Corporation) and Subsidiaries (the Group) included in this Form 17-A and have issued our report thereon dated April 11, 2011. 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. 68.1 and SEC Memorandum Circular No. 11, Series of 2008 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.

Christian G. Lauron

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-A
Tax Identification No. 210-474-781
BIR Accreditation No. 08-01998-64-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641531, January 3, 2011, Makati City

April 11, 2011

COVER SHEET

AS0920-07059
SEC Registration Number

VANTAGE EQUITIES, INC. (Formerly iVantage Corporation) AND SUBSIDIARIES
(Company's Full Name)

2703 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City
(Business Address: No. Street City/Town/Province)

Mr. Edmundo P. Bunyi, Jr.
(Contact Person)

689-8094
(Company Telephone Number)

12 31
Month Day
(Fiscal Year)

AACFS
(Form Type)

Month Day
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

None
Amended Articles Number/Section

Total Amount of Borrowings

709
Total No. of Stockholders

None
Domestic

₱2,925,490
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGV & Co
Ernst & Young

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

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

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vantage Equities, Inc. (formerly iVantage Corporation) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, 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 three years in the period ended December 31, 2010, 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 consider internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

SGV & Co
Ernst & Young

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vantage Equities, Inc. and Subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-A
Tax Identification No. 210-474-781
BIR Accreditation No. 08-01998-64-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641531, January 3, 2011, Makati City

April 11, 2011

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱778,376,824**	₱485,624,364
Receivables (Note 6)	**409,798,441**	461,092,766
Financial assets at fair value through profit or loss (Note 7)	**114,861,429**	267,937,575
Prepaid expenses and other current assets (Note 9)	**20,970,304**	23,733,132
Total Current Assets	**1,324,006,998**	1,238,387,837
Noncurrent Assets		
Available-for-sale investments (Note 8)	**3,892,396,507**	3,145,062,771
Investment in an associate and joint ventures (Note 10)	**3,820,708**	8,944,846
Property and equipment (Note 11)	**51,698,209**	71,915,259
Goodwill	**3,654,985**	3,654,985
Deferred tax assets (Note 23)	**6,202,186**	4,672,717
Other noncurrent assets (Note 12)	**19,754,982**	18,653,275
Total Noncurrent Assets	**3,977,527,577**	3,252,903,853
	₱5,301,534,575	₱4,491,291,690
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	**₱215,142,448**	₱214,214,214
Income tax payable	**32,143,608**	15,445,280
Current portion of long-term debt (Note 14)	**2,925,490**	2,981,025
Total Current Liabilities	**250,211,546**	232,640,519
Noncurrent Liabilities		
Accrued retirement costs (Note 21)	**6,809,806**	7,662,534
Long-term debt - net of current portion (Note 14)	**–**	3,082,975
Deferred tax liabilities (Note 23)	**175,030,767**	118,681,690
Asset retirement obligation (Note 15)	**4,145,582**	3,837,665
Total Noncurrent Liabilities	**185,986,155**	133,264,864
Total Liabilities	**₱436,197,701**	365,905,383

(Forward)

	2010	2009
Equity		
Equity attributable to equity holders of the Parent Company:		
Capital stock - ₱1 par value (Note 22)	**₱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 8)	**420,177,574**	243,477,265
Retained earnings	**2,286,681,994**	1,573,034,316
Treasury stock (Note 22)	**(188,520,838)**	(35,148,836)
	4,750,519,453	4,013,543,468
Non-controlling interest	**114,817,421**	111,842,839
Total Equity	**4,865,336,874**	4,125,386,307
	₱5,301,534,575	₱4,491,291,690

See accompanying Notes to Consolidated Financial Statements.

VANTAGE EQUITIES, INC.
(Formerly iVantage Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2010	2009	2008
REVENUE (Note 16)	**₱666,616,070**	₱699,785,480	₱651,423,297
EXPENSES			
General and administrative (Note 17)	**410,858,562**	416,266,135	418,313,635
Cost of internet service and sales (Note 18)	**42,449,147**	53,310,388	74,371,528
Interest expense and bank charges	**1,733,020**	3,561,964	8,999,682
	455,040,729	473,138,487	501,684,845
GAIN (LOSS) ON SALE OF AFS INVESTMENTS (Note 8)	**504,049,829**	141,910,113	(136,479,335)
MARK-TO-MARKET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 7)	**2,589,968**	5,563,518	(6,078,046)
EQUITY IN NET EARNINGS (LOSS) OF AN ASSOCIATE AND JOINT VENTURES (Note 10)	**(3,104,763)**	1,935,156	(15,814)
IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS	**–**	–	(455,947,664)
OTHER INCOME (CHARGES) (Note 19)	**46,200,190**	23,755,434	27,230,192
INCOME (LOSS) BEFORE INCOME TAX	**761,310,565**	399,811,214	(421,552,215)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**46,885,488**	31,157,634	13,527,645
Final	**1,071,976**	164,965	–
Deferred	**(3,269,159)**	3,293,665	785,072
	44,688,305	34,616,264	14,312,717
NET INCOME (LOSS)	**₱716,622,260**	₱365,194,950	(₱435,864,932)
Attributable to:			
Equity holders of the Parent Company	**₱713,647,678**	₱361,430,972	(₱439,271,819)
Non-controlling interest	**2,974,582**	3,763,978	3,406,887
	₱716,622,260	₱365,194,950	(₱435,864,932)
Basic/Diluted Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 27)	**₱0.3344**	₱0.1619	(₱0.1965)

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009	2008
NET INCOME (LOSS) FOR THE YEAR	**₱716,622,260**	₱365,194,950	(₱435,864,932)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 8)			
Cumulative net unrealized gain (loss) on change in fair value of available-for-sale investments, net of tax	**176,700,309**	281,487,532	(187,095,949)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱893,322,569**	₱646,682,482	(₱622,960,881)
Attributable to:			
Equity holders of the Parent Company	**₱890,347,987**	₱642,918,504	(₱626,367,768)
Non-controlling interest	**2,974,582**	3,763,978	3,406,887
	₱893,322,569	₱646,682,482	(₱622,960,881)

See accompanying Notes to Consolidated Financial Statements

VANTAGE EQUITIES, INC.
(Formerly iVantage Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	2010							
	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 22)	Stock Issuance Cost of a Subsidiary	Cumulative Net Unrealized Loss on Change in Fair Value of Available -for-Sale Investments, net of tax (Note 8)	Retained Earnings	Treasury Stock (Note 22)	Non-controlling interest	Total
Balance at December 31, 2009	₱2,235,390,633	(₱3,209,910)	₱243,477,265	₱1,573,034,316	(₱35,148,836)	₱111,842,839	₱4,125,386,307
Total comprehensive income, net of tax	–	–	176,700,309	713,647,678	–	2,974,582	893,322,569
Acquisition of treasury stock	–	–	–	–	(153,372,002)	–	(153,372,002)
Balance at December 31, 2010	₱2,235,390,633	(₱3,209,910)	₱420,177,574	₱2,286,681,994	(₱188,520,838)	₱114,817,421	₱4,865,336,874

See accompanying Notes to Consolidated Financial Statements.

	2009							
	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 22)	Stock Issuance Cost of a Subsidiary	Cumulative Net Unrealized Loss on Change in Fair Value of Available -for-Sale Investments (Note 8)	Retained Earnings	Treasury Stock (Note 22)	Non-controlling Interest	Total
Balance at December 31, 2008	₱1,788,312,570	(₱3,209,910)	(₱38,010,267)	₱1,658,681,407	₱–	₱120,573,861	₱3,526,347,661
Total comprehensive income	–	–	281,487,532	361,430,972	–	3,763,978	646,682,482
Distribution of stock dividends	447,078,063	–	–	(447,078,063)	–	–	–
Acquisition of treasury stock	–	–	–	–	(35,148,836)	–	(35,148,836)
Distribution of cash dividends to non-controlling interest	–	–	–	–	–	(12,495,000)	(12,495,000)
Balance at December 31, 2009	₱2,235,390,633	(₱3,209,910)	₱243,477,265	₱1,573,034,316	(₱35,148,836)	₱111,842,839	₱4,125,386,307

	2008					
	Attributable to Equity Holders of the Parent Company					
	Capital Stock (Note 23)	Stock Issuance Cost of a Subsidiary	Cumulative Net Unrealized Loss on Change in Fair Value of Available-for-Sale Investments (Note 8)	Retained Earnings	Non-controlling Interests	Total
Balance at December 31, 2007	₱1,788,312,570	(₱3,209,910)	₱149,085,682	₱2,097,953,226	₱32,380,396	₱4,064,521,964
Total comprehensive income (loss)	–	–	(187,095,949)	(439,271,819)	3,406,887	(622,960,881)
Distribution of stock dividends	–	–	–	–	84,786,578	84,786,578
Balance at December 31, 2008	₱1,788,312,570	(₱3,209,910)	(₱38,010,267)	₱1,658,681,407	₱120,573,861	₱3,526,347,661

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱761,310,565**	₱399,811,214	(₱421,552,215)
Adjustments for:			
Loss (gains) on sale of:			
Available-for-sale investments (Note 8)	**(504,049,829)**	(141,910,113)	136,479,335
Fixed assets (Note 19)	**(302,946)**	(345,686)	3,634,711
Interest income (Note 16)	**(114,324,691)**	(112,821,679)	(122,851,976)
Dividend income (Note 16)	**(45,775,827)**	(61,716,274)	(51,695,253)
Net unrealized foreign exchange loss (gain)	**21,303,159**	(28,049,973)	61,248,674
Depreciation and amortization (Notes 11 and 12)	**32,526,632**	40,576,185	40,889,799
Provision for credit losses (Note 17)	**16,519,143**	7,484,931	4,614,996
Mark-to-market loss (gain) on financial assets at fair value through profit or loss (Note 7)	**(2,589,968)**	(5,563,518)	6,078,046
Interest expense	**1,733,020**	1,318,699	8,999,682
Equity in net losses of associates (Note 10)	**3,104,763**	1,935,156	15,814
Impairment loss on investments (Note 10)	**19,375**	–	455,947,664
Loss (Gain) from disposal of property and equipment	–	(345,686)	–
Operating income before working capital changes	**169,473,396**	100,373,256	121,809,277
Decrease (increase) in:			
Receivables	**44,415,366**	24,451,328	(327,197,052)
Prepaid taxes and other current assets	**2,762,828**	19,970,443	6,088,567
Other assets		(5,309,547)	
Increase (decrease) in:			
Accounts payable and other current liabilities	**1,497,557**	(5,314,566)	66,006,587
Accrued retirement costs	**(852,728)**	(1,317,568)	5,433,099
Net cash generated from (used in) operations	**217,296,419**	132,853,346	(127,859,522)
Interest received	**121,203,650**	169,074,716	111,458,263
Income tax paid	**(31,140,945)**	(21,001,951)	(6,446,895)
Net cash provided by (used in) operating activities	**307,359,124**	280,926,111	(22,848,154)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Available-for-sale investments	**₱3,026,884,130**	₱2,062,963,100	₱1,307,961,547
Fair value through profit or loss	**253,832,998**	–	–
Property and equipment	**2,959,890**	361,217	–
Acquisitions of:			
AFS investments	**(2,496,432,577)**	(2,212,648,939)	(1,150,140,621)
Financial assets at fair value through profit or loss	**(88,507,950)**	–	(242,989,658)
Mutual funds	**(594,000,000)**	–	–
Property and equipment (Note 11)	**(14,148,103)**	(33,137,990)	(27,984,840)
Investments in:			
Associates and joint ventures (Note 10)	**2,000,000**	(10,751,664)	–
Dividends received	**45,775,827**	74,716,674	51,695,253
Increase in other noncurrent assets	**(1,101,708)**	(1,726,704)	(5,012,411)
Net cash provided by (used in) investing activities	**137,262,507**	(120,224,306)	(66,470,730)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares (Note 24)	**(153,372,002)**	(35,148,836)	–
Proceeds from:			
Long-term debt	**–**	–	7,680,000
Payments of:			
Long-term debt	**(3,138,510)**	(4,824,598)	(5,241,712)
Interest and bank charges	**(1,893,608)**	(14,701,646)	(3,771,296)
Notes payable	**–**	–	(41,280,000)
Bonds payable	**–**	(45,000,000)	(40,000,000)
Dividends paid to minority interest	**–**	(12,495,000)	–
Cash used in financing activities	**(158,404,120)**	(112,170,080)	(82,613,008)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**286,217,511**	48,531,725	(171,931,892)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,534,949**	28,049,974	(24,860,410)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**485,624,364**	409,042,665	605,834,967
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱778,376,824**	₱485,624,364	₱409,042,665

See accompanying Notes to Consolidated Financial Statements.

1. General Information

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

		Percentage of Ownership	
Name of Subsidiaries	Place of Incorporation	**2010**	2009
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.

<u>e-Business</u>
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.

<u>eBiz Financial</u>
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.

<u>iCurrencies</u>
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.

<u>Yehey!</u>
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.

<u>PEMI</u>
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.

<u>Approval and Authorization for Issuance of Financial Statements</u>
The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 11, 2010.

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

As of December 31, 2010 and 2009, the Group does not have HTM investments.

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

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

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

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

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

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

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

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

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

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

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

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

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 does not have any bifurcated embedded derivatives as of December 31, 2010 and 2009.

As of December 31, 2010 and 2009, the Group's financial assets at FVPL comprise investments in dollar denominated corporate bonds with embedded derivatives.

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.

<u>Financial Liabilities</u>
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.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (where applicable, a part of a financial asset, or part of a group of financial assets) is derecognized when:

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

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

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

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

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

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

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

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Effective in 2011

PAS 24 (Amended), *Related Party Disclosures*

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

PAS 32, Financial Instruments: *Presentation* (Amendment) - *Classification of Rights Issues*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment to Philippine Interpretation IFRIC-14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

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 quantity 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.

As of December 31, 2010 and 2009, the fair values of financial assets amounted to ₱5,210.9 million and ₱4,927.5 million, respectively, and as of those dates, the fair values of financial liabilities amounted to ₱192.2 million and ₱211.7 million, respectively (Note 26).

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.

As of December 31, 2010 and 2009, receivables amounted to ₱409.8 million and ₱461.1 million, respectively, net of allowance for doubtful accounts amounting to ₱43.6 million and ₱29.5 million, respectively (Note 6).

c) *Impairment of AFS equity investments*

The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease by more than 20.0% 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. As of December 31, 2010 and 2009, the carrying value of AFS investments amounted to ₱3,892.4 million and₱3,145.1 million, respectively (see Note 8).

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

There is no change in the estimated useful lives of property and equipment, software and website during the year. As of December 31, 2010 and 2009, the carrying values of property and equipment amounted to ₱51.7 million and ₱71.9 million, respectively (see Note 11). As of December 31, 2010 and 2009, the carrying value of software amounted to ₱4.0 million (see Note 12).

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. As of December 31, 2010 and 2009, the carrying values of property and equipment amounted to ₱51.7 million and ₱71.9 million, respectively (see Note 11). As of December 31, 2010 and 2009, the carrying value of software amounted to ₱4.0 million (see Note 12).

The Fifth Agency Unified Services, Inc. (FAUSI) is currently in the process of liquidation. In addition, FAUSI also suffered consecutive years of losses which the management believes may lead to non-recovery of their investment. As of December 31, 2010 and 2009, the Group recognized allowance for impairment on its investment in FAUSI amounting to ₱0.2 million and ₱0.1 million, respectively (see Note 10). The carrying values of investment in an associate and joint venture amounted to ₱3.8 million and ₱8.9 million, respectively as of December 31, 2010 and 2009, respectively (see Note 10).

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, which is 12.3% in December 31, 2010 and 2009. This rate was further adjusted to reflect the market assessment of any risk specific to the generating unit for which estimates of cash flows have not been adjusted.

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.

Based on the impairment test, the value in use of the cash-generating unit exceeds its carrying amount, thus, no impairment loss was recognized in the consolidated financial statements in 2010 and 2009.

Goodwill amounted to ₱3.7 million as of December 31, 2010 and 2009.

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

As of December 31, 2010 and 2009, asset retirement obligation amounted to ₱4.1 million and ₱3.8 million, respectively (see Note 15).

h) *Accrued retirement costs*
The determination of the Group's retirement cost is dependent on selection of certain assumptions used by the actuary in calculating such amount. Those assumptions 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.

As of December 31, 2010 and 2009, accrued retirement costs amounted to ₱6.8 million and ₱7.7 million, respectively (see Note 21).

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 recognized in the consolidated statements of financial position amounted to ₱6.2 million and ₱4.7 million as of December 31, 2010 and 2009, respectively. The deferred tax liabilities recognized in the consolidated statement of financial position amounted to ₱175.0 million and ₱118.7 million as of December 31, 2010 and 2009, respectively. Deferred tax on temporary differences not recognized in the consolidated statements of financial position amounted to ₱228.9 million and ₱184.4 million as of December 31, 2010 and 2009, respectively (see Note 23).

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 as of April 11, 2011.

4. Segment Information

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

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

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

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

d. Mutual fund management
This segment deals in the management of mutual funds.

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

Information with regard to the Group's significant business segments follow:

	2010					
	Investment Holdings	**Remittance Services**	**Internet Services**	**Mutual Fund Management**	**Eliminations**	**Consolidated**
Earnings information						
Revenues	**₱549,823,256**	**₱432,487,965**	**₱30,406,652**	**₱43,623,335**	**(₱389,725,138)**	**₱666,616,070**
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**
Other information						
Segment assets	**4,730,258,378**	**627,073,377**	**259,341,198**	**87,698,185**	**(402,836,563)**	**5,301,534,575**
Segment liabilities	**205,131,818**	**228,780,252**	**31,222,757**	**3,774,195**	**(32,711,321)**	**436,197,701**
Costs to acquire property and equipment	**518,681**	**13,471,472**	**56,427**	**101,523**	**–**	**14,148,103**
Net cash flows provided by (used in):						
Operating activities	**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
Earnings information						
Revenues	₱195,345,755	₱457,725,962	₱49,319,657	₱35,130,390	(₱37,736,284)	₱699,785,480
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
Other information						
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)

	2008					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
Earnings information						
Revenues	₱173,134,555	₱373,535,363	₱84,555,132	₱34,831,139	(₱14,632,892)	₱651,423,297
Equity in net loss of an associate	15,814	–	–	–	–	15,814
Depreciation and amortization	6,431,459	27,537,857	5,466,793	1,453,690	–	40,889,799
Interest expense and bank charges	–	20,052,556	–	–	(11,052,874)	8,999,682
Provision for income tax	3,936,596	5,497,862	140,859	4,737,400	–	14,312,717
Net income (loss) attributable to equity holders of the Parent Company	(454,789,070)	10,035,064	(5,071,170)	5,990,035	4,563,322	(439,271,819)
Other information						
Segment assets	3,291,936,940	918,377,198	269,483,374	80,542,339	(758,219,119)	3,802,120,732
Segment liabilities	7,697,499	643,654,198	22,085,459	1,945,730	(399,609,815)	275,773,071
Costs to acquire property and equipment	1,005,313	17,476,289	6,827,390	2,675,848	–	27,984,840
Net cash flows provided by (used in):						
Operating activities	(243,554,768)	(168,244,675)	(17,993,686)	8,513,537	398,431,438	(22,848,154)
Investing activities	(28,772,498)	(22,060,862)	21,208,878	(16,279,575)	(20,566,673)	(66,470,730)
Financing activities	–	(82,613,008)	–	–	–	(82,613,008)

5. Cash and Cash Equivalents

This account consists of:

	2010	2009
Cash on hand and in banks	**₱271,774,956**	₱472,047,896
Short-term investments	**506,601,868**	13,576,468
	₱778,376,824	₱485,624,364

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 ₱13.9 million, ₱14.9 million, and ₱14.0 million in 2010, 2009 and 2008, respectively (see Note 16).

6. Receivables

This account consists of:

	2010	2009
Due from:		
Western Union	**₱219,913,834**	₱324,090,145
Broker	**57,894,336**	–
Sub-agents	**17,047,454**	15,177,974
Business partners	**16,921,672**	7,358,639
Affiliates	**11,396,487**	6,717,993
Receivable from advertising and web development services	**50,540,021**	54,609,945

(Forward)

	2010	2009
Accrued interest	**19,158,142**	26,037,101
Advances to officers and employees	**1,564,589**	1,840,400
Miscellaneous assets*	**28,002,056**	34,154,484
Others	**30,933,961**	20,580,624
	453,372,552	490,567,305
Less allowance for credit losses	**43,574,111**	29,474,539
	₱409,798,441	₱461,092,766

**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 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 (see Note 13).

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.

The movements of allowance for credit losses are as follows:

	2010			
	Receivable from advertising and web development services	**Advances to officers and employees**	**Others**	**Total**
Balance at beginning of year	**₱12,593,164**	**₱321,048**	**₱16,560,327**	**₱29,474,539**
Provision for credit losses (Note 17)	**16,519,143**	**–**	**–**	**16,519,143**
Accounts written-off	**(2,419,571)**	**–**	**–**	**(2,419,571)**
	₱26,692,736	**₱321,048**	**₱16,560,327**	**₱43,574,111**
Specific assessment	**₱26,692,736**	**₱321,048**	**₱16,560,327**	**₱43,574,111**

	2009			
	Receivable from advertising and web development services	Advances to officers and employees	Others	Total
Balance at beginning of year	₱5,108,233	₱321,048	₱16,560,327	₱21,989,608
Provision for credit losses (Note 17)	7,484,931	–	–	7,484,931
	₱12,593,164	₱321,048	₱16,560,327	₱29,474,539
Specific assessment	₱12,593,164	₱321,048	₱16,560,327	₱29,474,539

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 (see Note 13).

7. Financial Assets at FVPL

This account consists of investments in:

	2010	2009
Held-for-trading		
Corporate securities	**₱89,647,319**	₱252,382,399
Derivative asset		
Currency forward contracts	**25,214,110**	15,555,176
	₱114,861,429	₱267,937,575

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.

<u>Currency Forward Contracts</u>
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 $7.7 million and US $14.5 million as of December 31, 2010, and 2009, respectively. The weighted average forward contract rate is ₱45.87 to US $1 and ₱50 to US $1 to be valued on April 25, 2011 and March 19, 2010, 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 $90.0 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 ₱45.86 to US $1 to be valued on April 25, 2011. The net fair values on the currency forwards as of December 31, 2010, and 2009 are classified as 'Derivative asset' under 'Financial assets at FVPL' and 'Derivative liability' under 'Accounts payable and other current liabilities' in the 2010 and 2009 consolidated statements of financial position, respectively.

The Group recognized mark-to-market gain from its financial instruments held at FVPL amounting to ₱2.6 million and ₱5.6 million in 2010 and 2009, and mark-to-market loss amounting to ₱6.1million in 2008. These valuation amounts were presented in the 2010and 2009 consolidated statements of comprehensive income.

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

Derivative Assets	**2010**	2009
Balance at beginning of year	**₱15,555,176**	₱18,051,612
Fair value changes during the year	**48,205,552**	40,710,781
Settled transactions	**(38,546,618)**	(43,207,217)
Balance at end of year	**₱25,214,110**	₱15,555,176
Derivative Liabilities		
Balance at beginning of year	**₱1,920,000**	₱–
Fair value changes during the year	**30,596,939**	1,920,000
Settled transactions	**(11,846,000)**	–
Balance at end of year	**₱20,670,939**	₱1,920,000

8. Available-For-Sale Investments

This account consists of investments in:

	2010	2009
Quoted:		
Government bonds	**₱986,889,694**	₱934,806,705
Corporate bonds	**81,823,795**	–
Equity securities	**1,145,084,990**	1,502,471,745
Unquoted:		
Government bonds	**380,531,099**	287,074,781
Corporate bonds	**407,186,562**	276,306,433
Equity securities	**439,152**	439,152
Mutual funds	**889,871,215**	143,363,955
Golf shares	**570,000**	600,000
	₱3,892,396,507	₱3,145,062,771

Movement of cumulative net unrealized gain (loss) on change in the fair values of these assets, 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:

	2010	2009
Balance at beginning of year	**₱352,606,618**	(₱38,010,267)
Fair value changes taken to equity	**738,831,921**	532,526,998
Amounts taken to profit or loss	**(504,049,829)**	(141,910,113)
Net change in fair value for the year	**234,782,092**	390,616,885
Balance at end of year	**587,388,710**	352,606,618
Tax effect	**(167,211,136)**	(109,129,353)
Balance at end of year, net of tax	**₱420,177,574**	₱243,477,265

As of December 31, 2010, government bonds consist of Philippine domestic sovereign bonds and USD-denominated bonds issued by Republic of the Philippines and Republic of Indonesia. Corporate bonds are USD-denominated bonds. Quoted equity securities pertain to investments in stocks listed in Philippine Stock Exchange.

In 2010 and 2009, quoted peso-denominated AFS investments bear nominal annual interest rates ranging from 5.9% to 9.1% and from 5.5% to 10.3%, respectively.

In 2010, quoted foreign currency-denominated AFS investments bear nominal annual interest rates ranging from 5.3% to 7.5%.

Unquoted debt securities represent long-term investments of the Group and are not actively traded in the market. The Group does not intend to sell these securities in the near future.

In 2010 and 2009, the unquoted debt securities bear nominal annual interest rates ranging from 0.0% to 7.3% and 0.0% to 9.1%, respectively, with maturity dates ranging from March 3, 2013 to December 16, 2035 and from March 29, 2011 to October 14, 2019.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2010	2009
Prepaid expenses	**₱14,119,604**	₱10,692,713
Input value-added tax	**4,567,528**	9,718,995
Creditable withholding tax	**2,283,172**	2,319,796
Others	**–**	1,001,628
	₱20,970,304	₱23,733,132

10. Investment in an Associate and Joint Ventures

Details of investment in an associate and joint ventures follow:

	Ownership (%)	2010	2009
Acquisition costs:			
Associate:			
FAUSI	**25**	**₱300,000**	₱300,000
Joint Ventures			
Media Contacts, Inc.	**50**	**4,836,800**	4,836,800
Tarantula Digitel Media, Inc.	**50**	**–**	2,000,000
		5,136,800	7,136,800
Allowance for impairment		**(168,761)**	(149,386)
		4,968,039	6,987,414
Accumulated equity in net earnings (losses):			
Balance at beginning of year		**1,957,432**	22,276
Equity in net earnings (losses)		**(3,104,763)**	1,935,156
Balance at end of year		**(1,147,331)**	1,957,432
		₱3,820,708	₱8,944,846

The movement in the allowance for impairment in the investments in an associate and joint venture are as follows:

	2010	2009
Balance at beginning of year	**₱149,386**	₱–
Provision for impairment losses	**19,375**	149,386
Balance at end of year	**₱168,761**	₱149,386

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, 2010 and 2009, 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 April 17, 2009, the Group entered into a joint venture contract with Havoc Digital, Inc. to create a new company named Tarantula Digitel 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 Digitel, Inc.'s initial investment comprised of cash of the same amount. As of December 31, 2009, Tarantula Digitel Media, Inc. remains to be registered in the SEC.

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

On October 27, 2008, the Group entered into a joint venture contract with Media Contacts, S.A. in the creation 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.

<u>Summary of Financial Information of FAUSI:</u>

	2010	2009
Total assets	**₱861,852**	₱902,954
Total liabilities	**336,898**	302,595
Net loss	**74,405**	91,201

<u>Summary of Financial Information of Media Contacts, Inc.</u>

	2010	2009
Total assets	**₱28,212,999**	₱38,143,015
Total liabilities	**20,834,061**	30,711,761
Net loss	**52,316**	2,242,346

11. Property and Equipment

This account consists of:

	2010						
	Furniture and Fixtures	Office Improvements	Transportation Equipment	Office Condominium	Server and Network Equipment	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱113,923,950	₱10,517,702	₱22,925,451	₱37,756,690	₱8,520,667	₱123,524,774	₱317,169,234
Additions	10,015,119	–	1,644,662	–	99,670	2,388,652	14,148,103
Disposals/ reclassification	(7,754,778)	–	(3,369,477)	–	(85,402)	–	(11,209,657)
Balance at end of year	116,184,291	10,517,702	21,200,636	37,756,690	8,534,935	125,913,426	₱320,107,680
Accumulated Depreciation and Amortization							
Balance at beginning of year	89,420,181	9,062,706	9,890,152	15,001,954	6,307,395	115,571,587	245,253,975
Depreciation and amortization (see Note 17)	16,884,501	816,173	4,542,388	2,293,413	915,852	5,839,414	31,291,741
Depreciation - dismantlement (see Note 17)	–	–	–	–	–	576,903	576,903
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	7,192,545	121,987,904	268,409,471
Net Book Value	₱17,130,418	₱638,823	₱8,199,733	₱20,461,323	₱1,342,390	₱3,925,522	₱51,698,209

	2009						
	Furniture and Fixtures	Office Improvements	Transportation Equipment	Office Condominium	Server and Network Equipment	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱104,107,365	₱10,474,889	₱16,168,258	₱37,756,690	₱6,035,936	₱120,103,484	₱294,646,622
Additions	20,266,854	42,813	8,516,086	–	2,484,731	3,421,290	34,731,774
Disposals/ reclassification	(10,450,269)	–	(1,758,893)	–	–	–	(12,209,162)
Balance at end of year	113,923,950	10,517,702	22,925,451	37,756,690	8,520,667	123,524,774	317,169,234
Accumulated Depreciation and Amortization							
Balance at beginning of year	84,237,356	8,178,264	7,341,405	12,720,120	5,108,613	101,338,944	218,924,702
Depreciation and amortization (see Note 17)	15,255,218	884,442	3,797,263	2,281,834	1,198,782	13,655,742	37,073,281
Depreciation - dismantlement (see Note 17)	–	–	–	–	–	576,901	576,901
Disposals	(10,072,393)	–	(1,248,516)	–	–	–	(11,320,909)
Balance at end of year	89,420,181	9,062,706	9,890,152	15,001,954	6,307,395	115,571,587	245,253,975
Net Book Value	₱24,503,769	₱1,454,996	₱13,035,299	₱22,754,736	₱2,213,272	₱7,953,187	₱71,915,259

12. Other Noncurrent Assets

This account consists of:

	2010	2009
Receivable from sale of investments	**₱96,592,600**	₱96,592,600
Deposits	**15,461,812**	14,575,322
Software and website – net	**4,041,026**	4,009,365
Others	**252,144**	68,588
	116,347,582	115,245,875
Less allowance for credit losses	**96,592,600**	96,592,600
	₱19,754,982	₱18,653,275

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.

The movement of software is as follows:

	2010	2009
Cost		
Balance at beginning of year	**₱11,640,914**	₱10,173,610
Additions	**489,922**	3,233,977
Disposals	**(1,144,057)**	(3,110,457)
Balance at end of year	**10,986,779**	11,645,530
Accumulated Amortization		
Balance at beginning of year	**₱6,287,765**	₱3,361,762
Amortization	**657,988**	2,926,003
Balance at end of year	**6,945,753**	6,287,765
	₱4,041,026	₱4,009,365

13. Accounts Payable and Other Current Liabilities

This account consists of:

	2010	2009
Due to sub-agents and brokers	**₱99,691,906**	₱128,302,754
Accrued expenses	**70,213,338**	57,962,850
Derivative liability (Note 7)	**20,670,939**	1,920,000
Trade	**8,777,627**	6,700,566
Output value added tax	**6,195,569**	6,702,843
Due to home office/branch	**153,958**	171,248
Accrued interest	**6,933**	167,521
Others	**9,432,178**	12,286,432
	₱215,142,448	₱214,214,214

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.

14. Long-term Debt

This account consists of:

	2010	2009
Current	**₱2,925,490**	₱2,981,025
Noncurrent	**–**	3,082,975
Total	**₱2,925,490**	₱6,064,000

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%. Interest expense related to these loans amounted to ₱0.3 million, ₱0.6 million and ₱6.9 million in 2010, 2009 and 2008, respectively.

The loan availed is secured by the Company's fund in the Settlement Account or from funds owed by Western Union - Canada amounting to ₱219.9 million and ₱324.1 million as of December 31, 2010, and 2009, respectively.

15. Asset Retirement Obligation

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

	2010	2009
Balance at beginning of the year	**₱3,837,665**	₱3,614,554
Accretion of expense for the year	**307,917**	223,111
Balance at end of the year	**₱4,145,582**	₱3,837,665

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.

16. Revenue

This account consists of:

	2010	2009	2008
Commission income	**₱294,806,613**	₱309,518,913	₱222,311,301
Interest income from:			
AFS investments	**93,852,163**	79,283,201	89,527,063
Cash and cash equivalents (Note 5)	**13,850,853**	14,927,210	13,968,285
Receivables	**–**	122,575	11,246,652
Financial assets at FVPL	**6,621,675**	17,764,766	8,109,976
Others	**–**	723,927	–
Share in foreign exchange differential	**75,767,180**	73,882,915	61,528,820
Money changing gain	**59,577,996**	71,273,614	87,967,842
Dividend income	**45,775,827**	61,716,274	51,695,253
Management fee and service income	**43,623,335**	32,631,160	31,092,667
Advertising, web development and internet service	**30,406,652**	37,940,925	70,518,660
Income from business partners	**2,333,776**	–	3,456,778
	₱666,616,070	₱699,785,480	₱651,423,297

17. General and Administrative Expenses

This account consists of:

	2010	2009	2008
Personnel costs	**₱127,582,788**	₱122,394,674	₱112,101,839
Rent and utilities (Note 20)	**74,919,875**	75,174,615	84,226,562
Outside services	**63,885,951**	68,302,998	49,488,774
Depreciation and amortization	**29,814,451**	36,645,966	38,352,146
Transportation and communication	**29,530,532**	30,562,911	14,473,883
Office supplies	**18,912,791**	20,478,640	12,187,698
Provision for credit losses (Note 6)	**16,519,143**	7,484,931	4,614,996
Professional fees	**12,979,469**	13,491,942	16,926,356
Taxes and licenses	**9,543,786**	10,162,056	24,194,460
Advertising	**5,747,651**	8,645,213	4,375,955
Insurance	**5,430,448**	7,679,737	7,766,476
Entertainment, amusement and recreation	**4,029,316**	5,632,842	4,375,137
Repairs and maintenance	**3,391,826**	5,092,834	2,589,875
Provision for retirement costs (Note 21)	**(758,386)**	(1,551,806)	5,048,572
Membership fees and other dues	**404,060**	235,225	1,084,391
Bad debts written off	**–**	–	1,000,000
Others	**8,924,861**	5,833,357	35,506,515
	₱410,858,562	₱416,266,135	₱418,313,635

18. Cost of Internet Service and Sales

	2010	2009	2008
Personnel costs	**₱32,988,587**	₱42,159,353	₱32,250,391
Service connection fee	**2,480,287**	3,314,264	3,582,990
Advertising and web development	**2,511,568**	2,099,316	33,546,951
Depreciation and amortization	**2,712,181**	3,930,219	2,537,653
Subscription	**81,000**	273,148	559,330
Provision for retirement costs (Note 21)	**(94,342)**	234,238	384,527
Others	**1,769,866**	1,299,850	1,509,686
	₱42,449,147	₱53,310,388	₱74,371,528

19. Other Income (Charges)

This account consists of:

	2010	2009	2008
Foreign exchange gain (loss)	**₱46,275,786**	₱17,897,293	₱24,028,980
Gain from sale of fixed assets	**302,946**	345,686	–
Reversal of prior year accruals	**–**	1,613,792	–
Bad debts recovery (Note 6)	**–**	–	3,132,672
Miscellaneous income - net	**(378,542)**	3,898,663	68,540
	₱46,200,190	₱23,755,434	₱27,230,192

20. 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 ₱52.08 million in 2010, ₱56.6 million in 2009 and ₱54.3 million in 2008.

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

Year	**2010**	2009
Within one year	**₱30,932,773**	₱55,588,155
After one year but not more than five years	**126,882,926**	68,379,286
After five years	**6,328,849**	1,934,093

21. 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.

The following table summarizes the components of retirement expense recognized in the consolidated statements of income and amounts recognized in the consolidated statements of financial position:

	2010				2009				2008			
	Parent Company	**Yehey!**	**e-Business**	**Total**	Parent Company	Yehey!	e-Business	Total	Parent Company	Yehey!	e-Business	Total
Retirement costs:												
Current service cost	**₱104,400**	**₱98,623**	**₱851,178**	**₱1,054,201**	₱104,400	₱338,900	₱410,900	₱854,200	₱174,000	₱286,000	₱4,546,000	₱5,006,000
Interest cost on benefit obligation	**58,783**	**26,424**	**254,322**	**339,529**	35,707	42,554	225,750	304,011	80,209	77,790	1,181,100	1,339,099
Net actuarial gain recognized for the year	**–**	**(229,389)**	**(1,303,511)**	**(1,532,900)**	–	(137,216)	(1,764,347)	(1,901,563)	–	30,300	169,300	199,600
Expected return on plan assets	**–**	**–**	**(713,558)**	**(713,558)**	–	–	(574,216)	(574,216)	–	–	(1,111,600)	(1,111,600)
	₱163,183	**(₱104,342)**	**(₱911,569)**	**(₱852,728)**	₱140,107	₱244,238	(₱1,701,913)	(₱1,317,568)	₱254,209	₱394,090	₱4,784,800	₱5,433,099

	2010				2009				2008			
	Parent Company	**Yehey!**	**e-Business**	**Total**	Parent Company	Yehey!	e-Business	Total	Parent Company	Yehey!	e-Business	Total
Reconciliation of retirement payable:												
Present value of retirement obligation (PVO)	**₱520,090**	**₱418,651**	**₱4,097,523**	**₱5,036,264**	₱356,907	₱293,604	₱2,992,023	₱3,642,534	₱216,800	₱282,000	₱1,204,000	₱1,702,800
Fair value of plan assets	**–**	**–**	**(9,633,031)**	**(9,633,031)**	–	–	(8,919,473)	(8,919,473)	–	–	(7,177,700)	(7,177,700)
Net pension obligation (asset)	**520,090**	**418,651**	**(5,535,508)**	**(4,596,767)**	356,907	293,604	(5,927,450)	(5,276,939)	216,800	282,000	(5,973,700)	(5,474,900)
Unrecognized net actuarial gain (loss)	**672,522**	**717,525**	**10,016,526**	**11,406,573**	672,522	946,914	11,320,037	12,939,473	672,522	714,280	13,068,200	14,455,002
	₱1,192,612	**₱1,136,176**	**₱4,481,018**	**₱6,809,806**	₱1,029,429	₱1,240,518	₱5,392,587	₱7,662,534	₱889,322	₱996,280	₱7,094,500	₱8,980,102

Changes in the PVO are as follows:

	2010				2009				2008			
	Parent Company	**Yehey!**	**e-Business**	**Total**	Parent Company	Yehey!	e-Business	Total	Parent Company	Yehey!	e-Business	Total
Balance at beginning of year	**₱356,907**	**₱293,604**	**₱2,992,023**	**₱3,642,534**	₱216,800	₱282,000	₱1,204,000	₱1,702,800	₱683,213	₱938,390	₱18,171,500	₱19,793,103
Interest cost on benefit obligation	**58,783**	**26,424**	**254,322**	**339,529**	35,707	42,554	225,750	304,011	80,209	77,790	1,181,100	1,339,099
Current service cost	**104,400**	**98,623**	**851,178**	**1,054,201**	104,400	338,900	410,900	854,200	174,000	286,000	4,546,000	5,006,000
Actuarial loss (gain)	**–**	**–**	**–**	**–**	–	(369,850)	1,151,373	781,523	(720,622)	(1,020,180)	(18,965,600)	(20,706,402)
Benefits paid	**–**	**–**	**–**	**–**	–	–	–	–	–	–	(3,729,000)	(3,729,000)
Balance at end of year	**₱520,090**	**₱418,651**	**₱4,097,523**	**₱5,036,264**	₱356,907	₱293,604	₱2,992,023	₱3,642,534	₱216,800	₱282,000	₱1,204,000	₱1,702,800

Actuarial loss (gain) on PVO follows:

	2010				2009				2008			
	Parent Company	**Yehey!**	**e-Business**	**Total**	Parent Company	Yehey!	e-Business	Total	Parent Company	Yehey!	e-Business	Total
Experience adjustments	**₱–**	**₱–**	**₱–**	**₱–**	₱–	(₱354, 047)	₱1,225,903	₱871,856	(₱516,622)	₱300,020	(₱4,762,100)	(₱4,978,702)
Change in assumptions	**–**	**–**	**–**	**–**	–	(15,803)	(74,530)	(90,333)	(204,000)	(1,320,200)	(14,203,500)	(15,727,700)
	₱–	**₱–**	**₱–**	**₱–**	₱–	(₱369,850)	₱1,151,373	₱781,523	(₱720,622)	(₱1,020,180)	(₱18,965,600)	(₱20,706,402)

Movements in the retirement payable are as follows:

	2010				2009			
	Parent Company	**Yehey!**	**e-Business**	**Total**	Parent Company	Yehey!	e-Business	Total
Balance at beginning of year	**₱1,029,429**	**₱1,240,518**	**₱5,392,587**	**₱7,662,534**	₱889,322	₱996,280	₱7,094,500	₱8,980,102
Retirement costs	**163,183**	**(104,342)**	**(911,569)**	**(852,728)**	140,107	244,238	(1,701,913)	(1,317,568)
Balance at end of year	**₱1,192,612**	**₱1,136,176**	**₱4,481,018**	**₱6,809,806**	₱1,029,429	₱1,240,518	₱5,392,587	₱7,662,534

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

	2010	2009
Balance at beginning of year	**₱8,919,473**	₱7,177,000
Benefits paid		
Actuarial gain (loss)	–	1,167,557
Expected return on plan assets	**713,558**	574,216
Balance at end of year	**₱9,633,031**	₱8,918,773
Actual return on plan assets	**₱713,558**	₱1,741,773

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

	2010	2009
Investment in government securities	**57.41%**	57.41%
Investment in common trust fund	**41.81%**	41.81%
Others	**0.79%**	0.79%

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

	2010			2009			2008		
	Parent Company	**Yehey!**	**e-Business**	Parent Company	Yehey!	e-Business	Parent Company	Yehey!	e-Business
Discount rate	**16.47%**	**9.00%**	**8.50%**	16.47%	15.09%	18.75%	16.47%	9.00%	18.75%
Future salary increase	**10.00%**	**4.00%**	**4.00%**	10.00%	10.00%	10.00%	10.00%	4.00%	8.00%
Expected rate of return on plan assets	**–**	**–**	**8.00%**	–	–	8.00%	–	–	10.00%
Average expected working lives	**6 years**	**3 years**	**6 years**	8 years	5 years	8 years	7 years	4 years	7 years

The expected rate of return on plan assets represents the expected long-term rate of return on the retirement fund investment. The Group expects to contribute to the retirement fund ₱1.2 million.

22. Equity

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

The details of this account are shown below:

	2010	2009
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.

23. Income Tax

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

The components of the Group's deferred tax assets and liabilities shown in the consolidated balance sheets follow:

	2010	2009
Deferred tax assets:		
Accrued retirement costs	**₱1,344,305**	₱1,617,776
Unrealized foreign exchange losses	**1,849,933**	–
Allowance for credit losses	**1,296,815**	1,296,814
Asset retirement obligation	**1,243,674**	1,151,299
Unamortized past service cost	**335,690**	473,888
Cost of dismantlement	**81,141**	81,141
Allowance for impairment of investment	**50,628**	44,816
Excess of MCIT over RCIT	–	6,983
	₱6,202,186	₱4,672,717
Deferred tax liabilities:		
Net unrealized gain on changes in fair value of AFS investments	**₱167,211,136**	₱109,129,353
Net unrealized foreign exchange gain	**7,065,721**	9,552,337
Capitalized cost of dismantlement	–	
Prepaid rent	**753,910**	–
	₱175,030,767	₱118,681,690

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:

	2010	2009
Allowance for doubtful accounts	**₱173,903,152**	₱163,855,936
Unrealized foreign exchange loss (gain)	**28,598,697**	–
NOLCO	**17,395,340**	17,610,318
Accrued rent	**5,741,881**	–
Accrued retirement costs	**2,328,788**	2,269,947
Leave credits for employees	**968,174**	700,698
	₱228,936,032	₱184,436,899
Excess of MCIT over RCIT	**₱1,021,799**	₱799,975

Movements in NOLCO and MCIT are as follows:

	2010		2009	
	NOLCO	**Excess MCIT**	NOLCO	Excess MCIT
Balance at beginning of year	**₱17,610,318**	**₱806,958**	₱18,514,052	₱9,102,544
Addition	**262,327**	**622,160**	6,336,456	258,780
Application/expiration	**(477,305)**	**(407,319)**	(7,240,190)	(8,561,349)
Balance at end of year	**₱17,395,340**	**₱1,021,799**	₱17,610,318	₱799,975

Details of the Group's NOLCO are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2008	₱20,541,574	(₱9,745,017)	₱10,796,557	2011
2009	6,336,456	–	6,336,456	2012
2010	262,327	–	262,327	2013
	₱27,140,357	(₱9,745,017)	₱17,395,340	

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

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2007	₱407,319	(₱407,319)	₱–	2010
2008	8,095,567	(7,954,708)	140,859	2011
2009	258,780	–	258,780	2012
2010	622,160	–	622,160	2013
	₱9,383,826	(₱8,362,027)	₱1,021,799	

The reconciliation of income (loss) 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:

	2010	2009
Provision for (benefit from) income tax at statutory tax rates	**₱228,393,170**	₱119,943,364
Income tax effects of:		
Impairment loss on AFS investments	–	–
Loss (gain) on sale of AFS investments	**(151,214,919)**	(45,000,067)
Interest income subjected to final tax	**(4,287,904)**	(22,163,835)
Dividend income	**(13,732,748)**	(18,513,502)
Mark-to-market loss on financial assets at FVPL	**(776,990)**	–
Changes in unrecognized deferred tax assets	**(13,416,287)**	1,199,084
Effect of change in tax rate	**–**	–
Others	**(276,017)**	(848,780)
	₱44,688,305	₱34,616,264

24. 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 'Receivables' in the consolidated statement of financial position.
(Note 6).

b. Compensation of key management personnel of the Group:

	2010	2009	2008
Salaries and wages	**₱16,445,855**	₱17,880,831	₱18,362,191
Retirement benefits	**220,140**	141,738	536,891
	₱16,665,995	₱18,022,569	₱18,899,082

25. 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.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account of any collateral and other credit enhancements:

	2010	2009
Cash and cash equivalents*	**₱551,873,517**	₱93,691,372
Receivables:		
Due from:		
Western Union	**219,913,834**	324,090,145
Broker	**57,894,336**	–
Sub-agents	**17,047,454**	15,177,974
Business partners	**16,921,672**	7,358,639
Affiliates	**11,396,487**	6,717,993
Receivable from advertising and web development services	**17,840,274**	36,009,770
Accrued interest	**19,158,142**	26,037,101
Advances to officers and employees	**1,243,541**	1,519,252
Miscellaneous assets	**28,002,056**	34,154,484
Others	**20,380,645**	10,027,308
AFS investments:		
Quoted:		
Government bonds	**986,889,694**	934,806,705
Corporate bonds	**81,823,794**	–
Equity securities	**1,145,084,990**	1,502,471,745
Unquoted:		
Government bonds	**380,531,099**	287,074,781
Corporate bonds	**407,186,562**	276,306,433
Equity securities	**439,152**	439,152
Mutual funds	**889,871,215**	143,363,955
UITF		
Golf shares	**570,000**	600,000
Financial assets at FVPL:		
Corporate bonds	**89,647,319**	252,382,399
Nondeliverable forward	**25,214,110**	15,555,176
Deposits (included in 'Other noncurrent assets')	**15,461,812**	14,575,322
Total credit risk exposure	**₱4,984,391,705**	₱3,982,359,706

* *Excluding cash on hand.*

As of December 31, 2010 and 2009, the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements is equal to the carrying amounts of its financial assets.

The table below shows an aging analysis of receivables:

	2010							
	Neither Past Due nor Impaired	**Past Due but not Impaired**						
		Less than 150 Days	**151–180 Days**	**181–360 Days**	**Over 360 Days**	**Subtotal**	**Impaired**	**Total**
Due from:								
Western Union	**₱219,411,908**	**₱301,336**	**₱200,590**	**₱–**	**₱–**	**₱219,913,834**	**₱–**	**₱219,913,834**
Brokers	**57,894,336**	**–**	**–**	**–**	**–**	**57,894,336**	**–**	**57,894,336**
Sub-agents	**17,047,454**	**–**	**–**	**–**	**–**	**17,047,454**	**–**	**17,047,454**
Business partners	**16,921,672**	**–**	**–**	**–**	**–**	**16,921,672**	**–**	**16,921,672**
Affiliates	**11,396,487**	**–**	**–**	**–**	**–**	**11,396,487**	**–**	**11,396,487**
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**	**17,388,271**	**30,933,961**
	₱399,564,390	**₱1,125,783**	**₱489,570**	**₱680,453**	**₱1,103,290**	**₱402,963,486**	**₱50,409,066**	**₱453,372,552**

	2009							
	Neither Past Due nor Impaired	Past Due but not Impaired						
		Less than 150 Days	151–180 Days	181–360 Days	Over 360 Days	Subtotal	Impaired	Total
Due from:								
Western Union	₱317,330,095	₱2,072,873	₱708,437	₱3,978,740	₱–	₱324,090,145	₱–	₱324,090,145
Sub-agents	15,177,974	–	–	–	–	15,177,974	–	15,177,974
Business partners	7,358,639	–	–	–	–	7,358,639	–	7,358,639
Affiliates	6,717,993	–	–	–	–	6,717,993	–	6,717,993
Receivable from advertising and web development services	18,697,944	1,491,496	1,732,016	14,088,314	–	36,009,770	18,600,175	54,609,945
Accrued interest	26,037,101	–	–	–	–	26,037,101	–	26,037,101
Advances to officers and employees	1,840,400	–	–	–	–	1,840,400	–	1,840,400
Miscellaneous assets	34,154,484	–	–	–	–	34,154,484	–	34,154,484
Other receivables	8,157,293	336,950	235,484	102,600	958,607	9,790,934	10,789,690	20,580,624
	₱435,471,923	₱3,901,319	₱2,675,937	₱18,169,654	₱958,607	₱461,177,440	₱29,389,865	₱490,567,305

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.

	2010			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash and cash equivalents*	**₱551,873,517**	**₱–**	**₱–**	**₱551,873,517**
Receivables:				
Due from:				
Western Union	**219,411,908**	**–**	**501,926**	**219,913,834**
Sub-agents	**17,047,454**	**–**	**–**	**17,047,454**
Business partners	**–**	**16,921,672**	**–**	**16,921,672**
Affiliates	**11,396,487**	**–**	**–**	**11,396,487**
Broker	**57,894,336**	**–**	**–**	**57,894,336**
Receivable from advertising and web development services		**17,840,274**	**–**	**17,840,274**
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	**–**	**30,933,961**	**–**	**30,933,961**

(Forward)

	2010			
	Grade A	**Grade B**	**Grade C**	**Total**
AFS investments:				
Quoted:				
Government bonds	**₱986,889,694**	**₱–**	**₱–**	**₱986,889,694**
Corporate bonds	**81,823,794**	**–**	**–**	**81,823,794**
Equity securities	**1,145,084,990**	**–**	**–**	**1,145,084,990**
Unquoted:				
Government bonds	**380,531,099**	**–**	**–**	**380,531,099**
Corporate bonds	**407,186,562**	**–**	**–**	**407,186,562**
Equity securities	**439,152**	**–**	**–**	**439,152**
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**
	₱4,928,747,188	**₱65,695,907**	**₱501,926**	**₱4,994,945,021**

**Excluding cash on hand.*

	2009			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱93,691,372	–	–	₱93,691,372
Receivables:				
Due from:				
Western Union	321,509,895	–	2,580,250	324,090,145
Sub-agents	15,177,974	–	–	15,177,974
Business partners	7,358,639	–	–	7,358,639
Affiliates	6,717,993	–	–	6,717,993
Broker	–	–	–	–
Receivable from advertising and web development services	36,009,770	–	–	36,009,770
Interest	26,037,101	–	–	26,037,101
Advances to officers and employees	1,519,252	–	–	1,519,252
Miscellaneous assets	34,154,484	–	–	34,154,484
Others	9,940,333	86,975	–	10,027,308
AFS investments:				
Quoted:				
Government bonds	934,806,706	–	–	934,806,706
Equity securities	1,502,471,745	–	–	1,502,471,745
Unquoted:				
Government bonds	287,074,781	–	–	287,074,781
Corporate bonds	276,306,433	–	–	276,306,433
Equity securities	439,152	–	–	439,152
Mutual fund	143,363,955	–	–	143,363,955
Golf share	600,000	–	–	600,000
Financial assets at FVPL:				
Corporate bond	252,382,399	–	–	252,382,399
Nondeliverable forward	15,555,176	–	–	15,555,176
Deposits (included in "Other noncurrent assets")	14,125,930	449,392	–	14,575,322
	₱3,979,243,090	₱536,367	₱2,580,250	₱3,982,359,707

**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 an 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 Group's financial liabilities based on undiscounted payments:

	2010					
	Less than 3 Months	3 to 5 Months	5 to 6 Months	More than 6 Months but Less than 1 Year	More than 1 year	Total
Accounts payable and other current liabilities*	₱47,380,683	₱2,336,512	₱1,146,560	₱138,378,640	₱–	₱189,242,395
Long-term debt**	467,597	701,396	233,799	1,572,698	–	2,975,490
	₱47,848,280	₱3,037,908	₱1,380,359	₱139,951,338	₱–	₱192,217,885

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

** *Including future interest payments.*

	2009					
	Less than 3 Months	3 to 5 Months	5 to 6 Months	More than 6 Months but Less than 1 Year	More than 1 year	Total
Accounts payable and other current liabilities*	₱177,191,963	₱10,269,001	₱7,220,641	₱6,052,961	₱4,856,805	₱205,591,371
Long-term debt**	492,800	739,200	246,400	1,502,625	3,082,975	6,064,000
	₱177,684,763	₱11,008,201	₱7,467,041	₱7,555,586	₱7,939,780	₱211,655,371

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

** *Including future interest payments.*

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.

The table below shows simple sensitivity analysis as of December 31, 2010 and 2009, respectively:

	2010		2009	
Change in Basis Points	**Effect on Equity**	**Effect on Income**	Effect on Equity	Effect on Income
Increase by 100	**(₱69,177,512)**	**(₱1,680,909)**	(₱54,054,821)	(₱424,951)
Decrease by100	**76,198,671**	**1,722,588**	58,506,114	446,885

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

	2010	2009
Cash and cash equivalents	**US$3,614,466**	US$2,644,511
Receivables	**4,898,642**	6,686,354
AFS investments	**3,393,209**	5,460,643
Financial assets at FVPL - Corporate bonds	**2,044,875**	–
Marginal deposit	**638,733**	333,515
Advances/deposits to sub-agents	**1,952**	26,952
	14,591,877	15,151,975
Nondeliverable forward	**–**	–
Accounts payable and other current liabilities	**1,075,889**	929,362
Long-term debt	**–**	131,255
	1,075,889	1,060,617
Net foreign currency-denominated assets	**US$13,515,988**	US$14,091,358

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was ₱43.83 and ₱46.20 to US$ as of December 31, 2010 and 2009, respectively.

The following table presents the impact on the Group's income before income tax due to change in the fair value of its monetary assets and liabilities, brought about by a reasonably possible change in the U.S. dollar to Peso exchange 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.

	2010		2009	
	Change in Foreign Exchange Rate	**Effect on Net Income before Tax**	Change in Foreign Exchange Rate	Effect on Net Income before Tax
Increase	**+1.01%**	**₱928,476**	+1.11%	(₱4,955,872)
Decrease	**-1.01%**	**(928,476)**	-1.11%	4,955,872

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).

	2010		2009	
	% Variance on Equity Price	**Effect on Equity**	% Variance on Equity Price	Effect on Equity
Increase	**+3.690%**	**₱63,404,765**	+4.007%	₱58,718,361
Decrease	**-3.690%**	**(₱63,404,765)**	-4.007%	(58,718,361)

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.

The debt-to-equity ratio as of December 31, 2010 and 2009 are as follows:

	2010	2009
Total debt (a)	**₱2,925,490**	₱6,064,000
Total equity (b)	**4,445,159,300**	3,881,909,042
Debt-to-equity ratio (a/b)	**0.0007:1**	0.0016:1

26. Fair Value of Financial Instruments

The carrying values of financial assets and liabilities as of December 31, 2010 and 2009 under each category are shown below:

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Loans and receivables:				
Cash and cash equivalents	**₱778,376,824**	**₱778,376,824**	₱485,624,364	₱485,624,364
Receivables	**409,798,441**	**409,798,441**	461,092,766	461,092,766
Deposits (included under 'Other noncurrent assets')	**15,461,812**	**15,461,812**	14,575,322	14,575,322
	1,203,637,077	**1,203,637,077**	961,292,452	961,292,452
AFS investments:				
Quoted:				
Government bonds	**986,889,694**	**986,889,694**	934,806,705	934,806,705
Corporate bonds	**81,823,794**	**81,823,794**	–	–
Equity securities	**1,145,084,990**	**1,145,084,990**	1,502,471,745	1,395,859,729
Unquoted:				
Government bonds	**380,531,099**	**380,531,099**	287,074,781	287,074,781
Corporate bonds	**407,186,562**	**407,186,562**	276,306,433	276,306,433
Equity securities	**439,152**	**439,152**	439,152	439,152
Mutual fund	**889,871,215**	**889,871,215**	143,363,955	143,363,955
UITF	**–**	**–**	–	–
Golf shares	**570,000**	**570,000**	600,000	600,000
	3,892,396,506	**3,892,396,506**	3,145,062,771	3,145,062,771
Financial assets at FVPL:				
Held-for-trading	**89,647,319**	**89,647,319**	252,382,399	252,382,399
Derivative assets	**25,214,110**	**25,214,110**	15,555,176	15,555,176
	114,861,429	**114,861,429**	267,937,575	267,937,575
	₱5,210,895,012	**₱5,210,895,012**	₱4,927,497,778	₱4, 927,497,778
Other financial liabilities:				
Accounts payable and other current liabilities*	**₱189,242,395**	**₱189,242,395**	₱205,591,371	₱205,591,371
Long-term debt (including current portion)	**2,925,490**	**2,764,107**	6,064,000	5,445,788
	–	**–**	–	–
	₱192,167,885	**₱192,006,502**	₱211,655,371	₱211,037,159

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

Cash and Cash Equivalents, Receivables, Notes Payable 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 Company'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.

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).

Deposits, Long-term Debt and Bonds Payable
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 and 2009.

Fair value hierarchy
The Group uses the following hierarchy for 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, 2010 and 2009 follows:

	2010		
	Level 1	Level 2	Total
Available-for-sale investments (Note 8)			
Quoted:			
Government bonds	**₱986,889,694**	**₱–**	**₱986,889,694**
Corporate bonds	**81,823,794**	–	**81,823,794**
Equity securities	**1,145,084,990**	–	**1,145,084,990**
Mutual fund	**889,871,215**	–	**889,871,215**
Unquoted:			
Government bonds	–	**380,531,099**	**380,531,099**
Corporate bonds	–	**407,186,562**	**407,186,562**
Financial assets at FVPL (Note 7)			
Corporate bonds	**89,647,319**	–	**89,647,319**
Nondeliverable forward	–	**25,214,110**	**25,214,110**
	₱3,193,317,012	**₱812,931,771**	**₱4,006,248,783**
Financial liabilities at FVPL (Note 13)			
Derivative liabilities	**₱–**	**₱20,670,939**	**₱20,670,939**

	2009		
	Level 1	Level 2	Total
Available-for-sale investments (Note 8)			
Quoted:			
Government bonds	₱934,806,706	₱–	₱934,806,706
Equity securities	1,502,471,745	–	1,502,471,745
Mutual fund	143,363,955	–	143,363,955
Unquoted:			
Government bonds	–	287,074,781	287,074,781
Corporate bonds	–	276,306,433	276,306,433
Financial assets at FVPL (Note 7)			
Corporate bonds	252,382,399	–	252,382,399
Nondeliverable forward	–	15,555,176	15,555,176
	₱2,833,024,805	₱578,936,390	₱3,411,961,195
Financial liabilities at FVPL (Note 13)			
Derivative liabilities	₱–	₱1,920,000	₱1,920,000

During December 31, 2010 and 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27. Basic/Diluted Earnings (Loss) Per Share

		2010	2009	2008
(a)	Net income (loss) attributable to equity holders of the Parent Company	**₱713,647,678**	₱361,430,972	(₱439,271,819)
(b)	Weighted average outstanding shares	**2,134,334,104**	2,232,524,571	2,235,390,633
(c)	Basic/Diluted earnings (loss) per share (a/b)	**₱0.3344**	₱0.1619	(₱0.1965)

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.