

# COVER SHEET

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S.E.C. Registration Number

V A N T A G E E Q U I T I E S I N C .

F O R M E R L Y I V A N T A G E C O R P .

(Company's Full Name)

2 7 / F E A S T T O W E R , P S E C E N T R E

E X C H A N G E R O A D , O R T I G A S P A S I G

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

ADRIAN FRANCIS S. BUSTOS

Contact Person

632-09-05

Company Telephone Number

1 2      3 1  
Month    Day  
Fiscal Year

LAST FRIDAY OF JUNE

Month    Day  
Annual Meeting

P R E L I M I N A R Y 2 0 - I S

FORM TYPE

Secondary License Type, If Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Domestic

Foreign

Foreign

To be Accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of **VANTAGE EQUITIES, INC.** on **Saturday, 16 August 2014** at 8:30 in the morning at the **Meralco Theatre, Ortigas Avenue, Pasig City** to consider the following:

### AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2013 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of External Auditors
9. Amendment of Articles of Incorporation to reflect change in its principal office
10. Other Matters
11. Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on **16 July 2014** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 7:00 a.m. and end promptly at 8:20 a.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to date, sign and send a proxy to the Corporation at 2004 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines. All proxies should be received by the Corporation **at least five (5) days** before the meeting, or on or before **11 August 2014**. Proxies submitted shall be validated by a Committee of Inspectors on **11 August 2014** at 5 o'clock in the afternoon at 2004 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

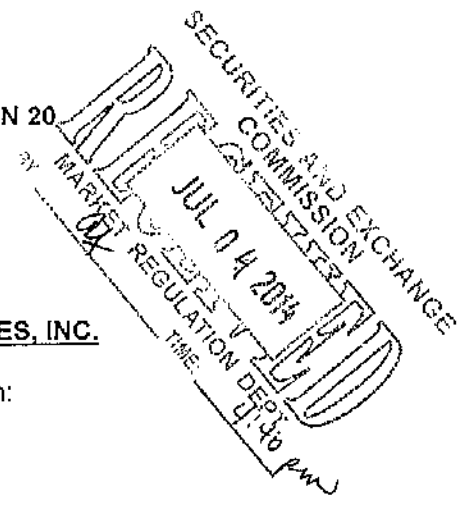
To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature (e.g. passport, driver's license, or credit card).

City of Pasig, Metro Manila, 4 July 2014.

**ADRIAN FRANCIS S. BUSTOS**  
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: VANTAGE EQUITIES, INC.
3. Province, country or other jurisdiction of incorporation or organization:  
Metro Manila, Philippines
4. SEC Identification Number: AS092-07059
5. BIR Tax Identification Number: 002-010-620
6. Address of Principal Office: 2005 East Tower, PSE Centre, Ortigas Center, Pasig City, Metro Manila, Philippines, 1605
7. Registrant's telephone number, including area code: (02) 689-8090 to 689-8093
8. Date, time, and place of the meeting of security holders:  
Date : 16 August 2014  
Time : 8:30 in the morning  
Venue : Meralco Theatre, Ortigas Avenue, Pasig City
9. Approximate date on which the Information Statement is first to be sent or given to security holders: 23 July 2014
10. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding (net of Treasury Shares) as of 31 May 2014
Common Stock P1.00 par value	2,099,791,133 Excluding Treasury Shares of 135,599,500

11. Are any or all of Registrant's securities listed on a Stock Exchange?  
Yes  No

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

The Philippine Stock Exchange, Inc.  
Common Stocks

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

## GENERAL INFORMATION

### Item 1. Date, Time and Place of the Meeting of the Security Holders

**Date:** 16 August 2014  
**Time:** 8:30 in the morning  
**Place:** Meralco Theatre, Ortigas Avenue, Pasig City

**Complete address of the principal office of the Registrant:**  
2005 East Tower, PSE Centre, Ortigas Center, Pasig City, Metro Manila, Philippines,  
1605

The approximate date on which the Information Statement will be sent or given to security holders is on 23 July 2014.

### Item 2. Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting of Vantage Equities, Inc. (hereinafter, the 'Company') on 16 August 2014 are not among the instances enumerated in Sections 42 and 81 of the Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

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

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

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

### Item 3. Interest of Certain Person in or Opposition to Matters to be Acted Upon

No person who has been a director, officer or nominee for election as Director of the Company, or an associate of such persons, have a substantial interest, direct or indirect, in any matter to be acted upon other than the election of Directors for the year 2014-2015.

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

## **CONTROL AND COMPENSATION INFORMATION**

### Item 4. Voting Securities and Principal Holders Thereof

- (a) As of 31 May 2014, the Company has **2,099,791,133** outstanding common shares. Out of the 2,099,791,133 outstanding common shares, 1,650,751 common shares (0.08%) are owned by foreigners. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.
- (b) The record date for purposes of determining stockholders entitled to vote in the Annual Stockholders' Meeting to be held on **16 August 2014** is set on **16 July 2014**.
- (c) In the forthcoming Annual Stockholders' Meeting, stockholders shall be entitled to elect nine (9) members of the Board of Directors. Each stockholder may vote such number of shares for as many as nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine (9).
- d) Security Ownership of Certain Beneficial Owners and Management

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

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

As of 31 May 2014, Vantage Equities, Inc. knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the following table:

<b>Title of Class</b>	<b>Name and Address of Record/Beneficial Owner</b>	<b>Relationship with the Company</b>	<b>Record (r) Beneficial (b) Owner</b>	<b>Citizenship</b>	<b>Number of Shares</b>	<b>Percent of Class</b>
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,165,721,202	96.88 %

*(\*)PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of the shares under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their respective clients. No single PCD participant currently owns more than 5% of the Corporation's shares forming part of the PCDNC account except Wealth Securities, Inc., the stockholder of record of 1,848,147,508 common shares of the Corporation, equivalent to about 85.301% of the Corporation's outstanding capital stock.*

No single beneficial owner of the shares registered in the name of Wealth Securities owns more than 5% of the outstanding capital stock of the Corporation except Creative Wisdom, Inc. which beneficially owns 884,350,718 common shares of Vantage, or the equivalent of about 42.12% of the Corporation's outstanding capital stock.

Wealth Securities, Inc. is a broker and dealer in securities. It holds the shares of the Corporation in behalf of its clients. The beneficial owners of the Corporation's securities held by Wealth Securities shall have the power to vote, dispose or direct the voting or disposition of the shares beneficially-owned by them. However, the beneficial owners normally designate and authorize Wealth Securities to vote or dispose or direct the voting or disposition of the Corporation's shares beneficially-owned by them. Wealth Securities, on the other hand, has designated the following as its representatives in the annual meeting of the Corporation's shareholders: Arsenio Go Sy, Brian Co Sy, Ruby Sy Tan, Moses Ong Tan and Valentino Co Sy.

**(2) Security Ownership of Management**

The following table shows the shares owned on record by the directors and executive officers of the Company as of 31 May 2014:

Title of Class	Name	No. of Shares	Citizenship	Percentage
Common	Ignacio B. Gimenez	12,500	Filipino	0.0006%
Common	Roberto Z. Lorayes	25,000	Filipino	0.0012%
Common	Valentino C. Sy	62,957,812	Filipino	2.9983%
Common	Edmundo P. Bunyi, Jr.	6,262,500	Filipino	0.2982%
Common	Joseph L. Ong	12,500	Filipino	0.0006%
Common	Willy N. Ocier	10,284,740	Filipino	0.4898%
Common	Wilson L. Sy	184,150,000	Filipino	8.7699%
Common	Antonio R. Samson	62,500	Filipino	0.0030%
Common	Gregorio T. Yu	2,100,500	Filipino	0.1000%
Common	A. Bayani K. Tan	1,437	Filipino	0.0001%
All Directors and Officers as a group		265,869,489		12.6617%

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

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

**(4) Changes in Control**

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

**Item 5. Directors and Executive Officers**

**Material Pending Legal Proceedings**

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

**Directors, Executive Officers, Promoters, and Control Persons**

Office	Period Served	Name	Citizenship	Age
Director	2003 to present	Ignacio B. Gimenez	Filipino	69
Director	2002 to present	Valentino C. Sy	Filipino	58
Chairman & CEO	2005 to present			
Director	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	49
President				
Director	2003 to present	Joseph L. Ong	Filipino	60
Treasurer	2005 to present			
Director	1999 to present	Willy N. Ocier	Filipino	57
Director	2003 to present	Roberto Z. Lorayes	Filipino	70
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	61
Director	2005 to present	Antonio R. Samson	Filipino	68
Director	2013 to present	Gregorio T. Yu	Filipino	55
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	58
Assistant Corporate Secretary	2013 to present	Adrian Francis S. Bustos	Filipino	26

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

All present members of the Board of Directors were elected during the annual stockholders' meeting last year. The term of the current members of the Board shall hold office until the next stockholders' meeting, or on 16 August 2014.

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

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

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

#### **Edmundo P. Bunyi, Jr,**

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

Company, and Assistant Manager for the Corporate Banking Department of Union Bank of the Philippines. He holds a degree in Management Engineering from the Ateneo de Manila University.

**Ignacio B. Gimenez**

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

**Joseph L. Ong**

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

**Willy N. Ocier**

Filipino, 57, is the Chairman and President of the Pacific Online Systems Corporation and has been a Director 1999. He also serves as Co-Vice Chairman of Belle Corporation and Highlands Prime, Inc., as Chairman of Tagaytay Midlands Golf Club, Inc., APC Group, Inc., and Sinophil Corporation. He is also the current Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and is a Director of Vantage Equities, Inc. He was also previously affiliated with Eastern Securities Development Corporation being its past President and Chief Operations Officer.

**Roberto Z. Lorayes**

Mr. Lorayes became a Director of the Company in 2003. Currently, he is the Chairman (1994 – present) of Philequity Management, Inc., a fund management company, and President (1993 – present) of Strategic Equities Corporation, a stockbrokerage firm. In the past Mr. Lorayes served as the Chairman of Board of Governors of the Philippine Stock Exchange, as President of Manila Stock Exchange, as President of UBP Securities, as President of Citicorp, Scringeour, Vickers, and as the Chairman of the Investment Companies Association of the Philippines. Mr. Lorayes has been an Independent Director of Vantage Equities, Inc. since 2003. He was also a Director of Philippine Central Depository. Prior to that, Mr. Lorayes was employed at the Bank of the Philippine Islands and Ayala Investment as the Senior Vice President. He received his Bachelor of Science in Commerce degree and Bachelor of Liberal Arts degree in De La Salle University and a Masters degree in Business Management from Ateneo de Manila University.

**Wilson L. Sy**

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

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

#### **Gregorio T. Yu**

Mr. Yu is a Director of the Company. He was a Director and Officer in several public companies until 2001 which includes the following: (a) Belle Corporation as the President and Chief Executive Officer; (b) Sinophil Corporation as President and Chief Executive Officer; and (c) APC Group Inc. as Vice-Chairman. Until 2001, he was also President of the following companies: (a) Tagaytay Highlands International Golf Club; (b) The Country Club at Tagaytay Highlands; (c) Tagaytay Midlands Golf Club; and (d) Pacific Online Systems Corporation. Until 2006, he was a Director and Treasurer of the listed company iVantage Corporation. He also held various positions in Chase Manhattan Bank, N.A., He was also the Assistant Vice President of R. S. Lim and Company, Inc, a member of the Makati Stock Exchange, Inc. He was a Director and a Member of Executive Committee and Audit Committee of the International Exchange Bank. Concurrently, he is a Director and Treasurer of CMB Partners, Inc., a Director and Chairman of the Executive Committee of Sterling Bank of Asia Inc. and a Director of CATS Motors, Inc. Additionally, he is a Trustee of Xavier School, Inc and Xavier School Educational and Trust Fund, Inc. He graduated from De la Salle University with a Bachelor of Arts in Economics (Honors Program 1978), summa cum laude. Mr. Yu holds a graduate degree in Business Administration from Wharton School, University of Pennsylvania (1983) where he was in the Director's Honor List.

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

Mr. Tan has been the Corporate Secretary of the Corporation since January 1993. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Asia United Bank Corporation\* (February 2014-present as Corporate Secretary; June 2014 as Director), Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-

present), Discovery World Corporation (March 2013 as Director, July 2003–present as Corporate Secretary), First Abacus Financial Holdings Corp. (May 1994 – present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dividend Yield Fund, Inc. (January 2013-present) Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), TKC Steel Corporation (February 2007-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), and Yehey! Corporation (June 2004-present). Mr. Tan is also a Director\*\* and the Corporate Secretary of Sterling Bank of Asia Inc. since December 2006. Mr. Tan is the Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), Director of Destiny LendFund, Inc. (December 2005-present) and Pascual Laboratories, Inc. (March 2014-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present), Managing Trustee of SCTan Foundation, Inc. (1986-present), Trustee and Treasurer of Rebisco Foundation, Inc. (April 2013-present) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (February 2011-present). He is currently the legal counsel of Xavier School, Inc.

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

\*Subject to BSP approval

\*\* Subject to SEC approval of the amendments of Section 6 of the Bank's Articles of incorporation increasing the number of directors from eleven (11) to fifteen (15)

#### **Adrian Francis S. Bustos**

Mr. Bustos is the Assistant Corporate Secretary of the Company. He is also an incumbent Director and Corporate Secretary of Angat Hydropower Corporation and KWPP Holdings Corporation, and the Corporate Secretary of Emerald Holdings Corporation and Emerald Headway Distributors, Inc. He is also the Assistant Corporate Secretary of the following companies: Yehey! Corporation, I-Remit, Inc.; Philequity funds (9 corporations); Palm Concepcion Power Corporation; Peakpower Energy, Inc., Peakpower Soccsargen, Inc., Peakpower San Francisco, Inc., JTKC Land, Inc.; The Country Club at Tagaytay Highlands, Inc.; Tagaytay Midlands Golf Club Inc.; Discovery Leisure Company, Inc., Discovery Fleet Corporation and FHE Properties Inc. He obtained his Bachelor of Science degree in Business Administration and Bachelor of Laws degree from the University of the Philippines in 2008 and 2012, respectively. He is currently an associate of Tan Venturanza Valdez (2013 to date). He was formerly connected with Vicsal Investment, Inc. (2013) as a financial analyst and he is a Chartered Financial Analyst (CFA) level 1 passer. He was admitted to the Philippine bar in April 2013.

### **Independent Directors**

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

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

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

### **Significant Employees**

The Company has no significant employees.

### **Family Relationships Among Directors**

Messrs. Valentino Sy and Wilson Sy are brothers.

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

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

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

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

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members initiated legal actions against ULC, the Universal Rightfield

Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, the incumbent Corporate Secretary of the Corporation. 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; (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, which was dismissed by the RTC in its Omnibus Order dated 29 November 2005 and 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) another Complaint for Estafa (I.S. No. 08K-89713) which was submitted for resolution in 2009 was only acted upon and dismissed by Office of the City Prosecutor of Manila on March 18, 2013. (iv) 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, MC03-77 and MC04-082) before the RTC of Mandaluyong City, which cases have been settled and the RTC Mandaluyong has on March 6, 2006, promulgated a Joint Decision approving the settlement agreement. However, while the main cases have been settled, a group of UCLI members who were not included in the settlement and were not in favor of its terms initiated suit to nullify the same. RTC Mandaluyong rejected moves to assail the settlement prompting this group to elevate their complaint to the Court of Appeals, The Court of Appeals partially granted the group's prayer and revived the writs of attachment and garnishment but only to such extent as to cover the remaining claims (P10,423,724.00), which ruling was affirmed by the Supreme Court in its Resolution dated 16 November 2009.

On October 11, 2012, the same group of people who were not included in the settlement-filed a Motion for Re-Issuance of Writs of Attachment and Garnishment in SEC Case No. MC-03-075, which the RTC-Mandaluyong, Branch 211 granted in an Order dated 28 November 2013. This Order is still the subject of a Motion for Reconsideration that has yet to be resolved by the Court. Atty. Tan moved for the dismissal of the case plaintiff's failure to prosecute the same, but the RTC Mandaluyong denied his motion, Atty. Tan then filed a Petition for Certiorari with the Court of Appeals.

#### **Certain Relationships and Related Transactions**

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

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

The following are the Corporation's Related Party Transactions with its subsidiaries:

1. The Company waived the collection of rental for the lease of office of Yehey! for the years 2012 and 2013.
2. In 2013, 2012 and 2011, the Parent Company paid certain expenses of e-Business, eBusiness Financial, Yehey!, PEMI and iCurrencies, which were later billed for reimbursement.
3. In February 2013, the Company provided advances to Vantage Equities Exchange Traded Fund, Inc. (ETF) amounting to ₱252.02 million as a seed capital for its incorporation and registration to SEC.

4. The Company extended advances to Philequity Dividend Yield Fund and Fifth Agency Unified Services, Inc. for working capital purposes.

**Disagreement with Director**

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

**Item 6. Compensation of Directors and Executive Officers**

**Summary Compensation Table (Annual Compensation)**

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

**Summary Compensation Table (Annual Compensation)**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Annual Compensation</b>
Valentino C. Sy Chairman & CEO		
Edmundo P. Bunyi, Jr. President & COO		
Joseph L. Ong Treasurer		
Most Highly Compensated Executive Officers	2014 (Estimate)	3,923,453
	2013	3,923,453
	2012	3,913,703
Directors as a group (unnamed)	2014 (Estimate)	1,743,235
	2013	1,494,118
	2012	1,433,529

receive any form of compensation

#### **Item 7. Independent Public Accountants**

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. The Chairman of the Company's Audit Committee is Mr. Gregorio T. Yu, an independent director. The two other members of the Committee are Mr. Antonio R. Samson and Mr. Edmundo P. Bunyi, Jr.

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

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

	<b>2013</b>	<b>2012</b>
Audit fee	711,040.00	711,040.00
Tax Services	-	-
Other Fees	-	-
<b>TOTAL</b>	<b>711,040.00</b>	<b>711,040.00</b>

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

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

### **OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

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

Management reports which summarize the acts of management for the year 2013, are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereof.

#### **Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

#### **Item 17. Amendment of Articles of Incorporation**

In compliance with the requirements of the Securities and Exchange Commission, through SEC Memorandum Circular No. 6, Series of 2014, the Corporation's Articles of Incorporation will be amended to change the principal office of the Corporation from "Metro Manila" to "2005 East Tower, PSE Centre, Ortigas Center, Pasig City, Metro Manila". The proposed amendment was previously approved by the Board of Directors in their meeting on 19 June 2014. The same shall be submitted for stockholders' approval on 16 August 2014 Annual Stockholders Meeting.

#### **Item 18. Other Proposed Actions**

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, such as the opening of bank accounts and designation of bank signatories, financing activities of the Company, and other requirements in connection with the Company's operations.

#### **Item 19. Voting Procedures**

- a. Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.
- b. Three inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.
- c. Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.
- d. The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce*.
- e. Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with. If actual counting of votes cannot be dispensed with, the appointed inspectors mentioned in item (b), or in their absence, the auditors of the Company present during the meeting, are authorized to count the votes cast.

*Items 8, 9, 10, 11, 12, 13, and 14 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.*

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. This report is signed in the City of Pasig on 4 July 2014.

**VANTAGE EQUITIES, INC.**

By:

**VALENTINO C. SY**  
Chairman and CEO

**JOSEPH L. ONG**  
Treasurer



## VANTAGE EQUITIES, INC.

### **BUSINESS AND GENERAL INFORMATION**

Vantage Equities, Inc. (the "Corporation"), formerly iVantage Corporation, was incorporated in 20 October 1992 and is organized as an investment and financial holding company. It has authorized capital stock of One Billion Nine Hundred Million Pesos (P1,900,000,000), all of which are in common shares with a par value of P1.00 per share. Of the authorized capital stock, 1,788,312,570 are outstanding and 111,687,430 remain unsubscribed. On 12 January 2009, Securities & Exchange Commission (SEC) approved the increase of authorized capital stock of the Corporation to Two Billion Two Hundred Fifty Million Pesos P2,250,000,000.00. Furthermore, the SEC has authorized the Corporation to issue 447,078,142 common shares out of its authorized but unissued capital stock to cover the twenty five percent (25%) stock dividend declared by the Corporation's Board of Directors on 4 June 2008 and ratified by its shareholders on 27 June 2008. As of 31 March 2011, the Corporation has an authorized capital stock of Two Billion Two Hundred Fifty Million Pesos (P2,250,000,000.00) divided into 2,250,000,000 common shares with par value of P1.00 per share. Out of the authorized capital stock, 2,235,390,633 shares are outstanding and 14,609,367 shares are unsubscribed.

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

#### Purpose

The Company was originally organized with the primary purpose of oil and gas exploration, and investments and developments as among its secondary purposes. On 3 October 2000, the Securities and Exchange Commission (SEC) approved the change in the Corporation's primary purpose to financial holdings and investments, including but not limited to information technology companies and related ventures. Since the Registrant is an investment holding company, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

#### Investments

In June 2006, the Corporation divested its shareholdings in International Exchange Bank ("iBank"), its largest single investment at that time. The iBank sale generated P 2.9 billion in cash and a P1.6 billion gain, capping an 11-year investment period that yielded a 16% compound annual return. The PSE Index, by comparison, only broke even during the same period. The divestment was timely in light of the substantial decline in financial markets in the following years.

The Corporation decided to invest its P2.9 billion "war chest" in portfolio of equity and fixed-income securities. The mandate is to attain above market returns while adhering to prudent risk parameters, i.e. credit, liquidity and market risk. For this purpose, the Company hired its current President in October 2006 along with a team of finance professionals. The current team is also tasked to further professionalize management of the Vantage Group of Companies.

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

**e-Business Services, Inc. (“eBiz”) - 100% ownership**

eBiz traces its beginnings as the first Asia-Pacific direct agent of Western Union, an International money transfer service provider. Aside from money transfer services, eBiz also offers Philequity Mutual Funds, eLoad, Bayad Center bills payment center and Cebu Pacific, Air Asia and FETA ticketing services. Starting from just 3 service centers in 1999, eBiz today operates 160 branches located in major cities and hubs throughout the country.

The company-owned branches are complemented by a network of sub-agents that effectively enables eBiz to extend its geographic reach to over 1,500 locations nationwide. eBiz agent-partners include some of the biggest commercial banks, supermarket chains and pawnshops in the country. Because of its reach and service excellence, eBiz hit over 5.7 million transactions worth in excess of USD 1.2 billion in 2013.

**eBiz Financial – 100% ownership**

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

**iCurrencies – 100% ownership**

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

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

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

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

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

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of 31 May 2014, the Fund has not yet launched its capital shares to the public.

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

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of 31 May 2014, the Fund has not yet launched its capital shares to the public.

#### **Philequity Dividend Yield Fund, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of equity securities. On January 22, 2014, the Fund officially launched its capital shares to the public.

#### **Yehey! Corporation (“Yehey”) – 66.95% ownership**

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

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

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

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

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

Philequity Management, Inc. (PEMI) is an investment management company established in 1993. PEMI is proud to be the investment manager and principal distributor of Philequity Fund, Inc. (PEFI), the Philippines' best performing equity mutual fund. PEFI has been awarded by the Philippine Investment Funds Association (PIFA) as the best performing equity fund in the 10-year category, 2nd place in the 3 and 5-year categories. Philequity Peso Bond Fund, Inc. (PPBF) was also recognized by PIFA garnering 2nd place in the 5-year return category. Likewise, Philequity Dollar Income Fund, Inc. (PDIF) earned 1st place in the 5-year return category.

#### **Government Regulation and Environmental Compliance**

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

#### **Distribution Methods of Products and Services**

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

#### **Competition**

Vantage Equities Inc. is a publicly-listed holding company whose main focus is to make strategic investments in companies that are in the financial services industry. Under the Philippine Stock Exchange (PSE) there are about seventeen companies that are classified as holding firms with about ₱585-billion in float-adjusted market capitalization. Most of the holding companies are owned by well-known families in the Philippines which have diversified investments ranging from properties, banking, food, power and retail. Most of the firms in this industry can be labeled as mature and has a long track record of existence as such there are not many changes in terms of additions in this industry.

Although the Corporation is not listed in this sector of the PSE, there are similar companies that we would consider its competitors and we think would be appropriate to do a comparison. Two main aspects where firms in this industry compete on are pricing and services. Firms offering more competitive pricing coupled with excellent customer service normally increase the popularity of their brand and thus their appeal to retail and institutional clients. In addition companies with complementary businesses often win clients by packaging themselves as a one-stop shop service provider.

The closest competitor of Vantage equities that have financial services business under their company is Aboitiz Equity Ventures (AEV) which has UnionBank and CitiSavings under its financial segment. AEV has a market capitalization of about P309-billion as of March 31, 2014 and has three business segments namely power, financial services and food. In terms of size and market capitalization, Vantage Equities pales in comparison but the main advantage of Vantage Equities is its combination of two financial services business namely Philequity Management, Inc. and e-Business Services, Inc. Philequity Management Inc has one of the best performing mutual funds in the Philippines since 1994, Philequity Fund Inc. e-Business Services Inc, meanwhile has close to 160 branches nationwide and is one of the top players in a growing money remittance business.

#### **Competition of Subsidiaries**

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

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

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

As of February 2014, the Philippine mutual fund industry is composed of 49 mutual funds compared to 41 mutual funds 5 years ago in 2009. The mutual fund industry is continuously growing. A major boost to the mutual fund industry was the BSP's decision lower interest rates as well as giving limited access to SDA accounts last year. As a result, investors have sought out other forms of investments. As of February 2014, mutual funds manage over P 211 billion in assets (AUM) versus P 60 billion in AUM 5 years ago in February 2009.

The industry is divided into 4 categories –stock, bond, balanced and money market funds. A large majority of total AUM is invested in bond funds at 48% followed by stock funds at 33%. While Philequity Management, Inc. (PEMI) offers five funds—Philequity Fund, Inc. (PEFI), Philequity PSE Index Fund, Inc. (PPSE), Philequity Dividend Yield Fund, Inc. (PDYF), Philequity Peso Bond Fund, Inc. (PPBF), and Philequity Dollar Income Fund, Inc. (PDIF), the company only competes in stock and bond funds.

Investors often use a fund's return performance and fees as a gauge for comparison when choosing a mutual fund. The industry does not have an aligned fee structure charged to their clients and as a result, investors look for the lowest sales load, management fee and exit fees charged by a mutual fund. In terms of performance, investors look at the top performing funds who have continued to outperform the benchmark as well as its competitors as a basis for comparison. Mutual funds that charge lower fees or a shorter holding period for exit fees are considered the main competitors of PEMI in terms of fees.

In terms of distribution, PEMI's main competitors in the industry are Bank of the Philippine Islands, First Metro Investment Corp., Philam Life Asset Management, Inc., and Sun Life Financial Philippines. The former two are large banking institutions while the latter two are renowned insurance companies—all four companies have vast distribution channels through branches or network of agents/financial advisors.

In comparison, PEMI's advantage is its long standing track record. PEFI for example has a 19-year track record of consistent outperformance of returns against the Philippine Stock Exchange Index (PSEi) with a compounded annual return of 19.24% since inception. It is a clear advantage as no other mutual fund in the industry has performed as well on a consistent, long term basis.

### Yehey! Corporation – 66.95% ownership

Yehey! considers the following as competitors:

- Digital Agencies
- Advertising Agencies

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

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

#### *BBDO-Proximity*

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

#### *Deploy*

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

#### *Havoc*

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

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

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

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

### **Financial Risk Management**

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

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

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

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

Liquidity Risk is the risk that the Group will be unable to meet its obligations when they fall due under normal and stress circumstances. To limit the risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs. Any excess cash is invested in short-money market placements. These placements are maintained to meet maturing obligations.

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

### **Financial Performance**

The Company derived its revenues from various activities:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Commission income	342,445,176	313,304,937	334,087,049
Gain on sale of AFS investments	339,657,175	333,663,314	329,626,095
Interest income from:			
AFS investments	94,940,548	85,374,345	103,282,875
Cash and cash equivalents	20,389,850	22,511,417	11,535,280

Financial assets at FVPL	9,050,698	7,298,146	6,583,120
Unquoted debt securities	2,447,787	16,777,043	4,075,852
Share in foreign exchange differential	99,817,586	81,507,179	85,573,235
Management fee and service income	137,408,816	87,633,738	65,414,284
Money changing gain	74,663,400	34,076,538	36,485,920
Dividend income	33,743,756	37,039,014	35,610,251
Advertising, web development and internet service	18,484,881	31,417,088	33,851,638
Income from business partners	14,689,538	8,348,495	2,868,068
Others	-	-	386,945
<b>TOTAL</b>	<b>1,187,739,211</b>	<b>1,058,951,254</b>	<b>1,048,993,667</b>

As of December 31, 2013, the Company has a total of 502 employees as broken down below and are not subject to Collective Bargaining Agreements (CBA).

Position	No. Of Employees	Anticipated No. of Additional Employees
Executive	1	0
Senior Officer	7	2
Manager	21	2
Supervisor	92	0
Staff	381	43
<b>TOTAL</b>	<b>502</b>	<b>47</b>

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

### **Properties**

#### **Vantage Equities, Inc. - Parent**

*Office Condominium* - The condominium unit is located at Unit 2005 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. This is depreciated over an estimated useful life of 20 years and accounted for on a straight-line basis.

*Office Improvements* - These are improvements made to the Company's office space and being depreciated over an estimated useful life of 4 years accounted for on a straight line basis.

*Furniture, Fixtures and Equipment* - These equipments are used by the Company in conducting its daily operations and located at Unit 2005 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. These assets are being depreciated over an estimated useful life of 3-10 years and accounted for on a straight line basis.

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

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

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

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

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

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

**eBiz Financial Services, Inc. – 100% ownership**

The Company does not own any properties.

**iCurrencies, Inc. – 100% ownership**

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

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

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

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

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

**Philequity Dividend Yield Fund, Inc. – 100% ownership**

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



**Yehey! Corporation – 66.95% ownership**

*Server and Network Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 1801-A East Tower PSE Center Brgy. San Antonio, Pasig City.

*Furniture, Fixture and Office Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 1801-A East Tower PSE Center Brgy. San Antonio, Pasig City.

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

*Leasehold Improvement* - The Company is leasing its office at 1801-A East Tower PSE Center Brgy. San Antonio, Pasig City. Improvements are amortized over four years.

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

**Philequity Management, Inc. – 51% ownership**

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

*Leasehold Improvement* - The Company is leasing its office space from ASIA PACIFIC BUILDWARE CORP. located at Unit E-2004A 20/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. The term of the contract is for a period of five (5) years from April 1, 2012 to March 31, 2015. Improvements are amortized over three to four years.

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

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

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

**Legal Proceedings**

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

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

E-Business filed a civil action against Sure Express to comply with its obligations under the Money Transfer Service Agreement and to pay the sum of Php 508,003.75 and US\$

22,710.16 plus attorney's fees and damages. On September 27, 2007, the lower Court rendered a decision against Sure Express. Sure Express appealed before the Court of Appeals and thereafter the Supreme Court. The Supreme Court rendered a decision on February 03, 2010 dismissing the petition which became final and executory on April 12, 2010. Our law firm filed its Entry of Appearance before the RTC Branch 214 on February 1, 2012 and thereafter on March 14, 2012 a Motion for Execution of Judgment which was granted on July 17, 2012. Considering that the whereabouts of Sure Express is unknown, the writ of execution remained unimplemented.

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

This is a complaint filed by E-Business on November 6, 2007 against defendant for the latter's refusal to settle and/or pay E-Business insurance claim as a result of loss of money due to robbery or brigandage. E-Business claims for the aggregate amount of Php 1,880,085.98 and US \$25,860.00 plus interest at the rate of 12% per annum from January 22, 2007, attorney's fees of not less than 20% of the claims, Php 500,000 as damages and the cost of suit. The parties mutually agreed to amicably settle the case for Php 700,000.00. Defendant already paid the said amount to e-Biz but the Joint Motion to Approve the Compromise Agreement and to dismiss the case remains pending for hearing on May 7, 2014 (earlier setting of February 6, 2014 was cancelled).

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

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

**3.4. NLRC NCR Case No. 09-13013-13,  
captioned "Jobelle Panzo and Winnie Chua vs. e-Business Services, Inc., Ed Bunyi  
and Louie Nonesa"; NLRC, Pasig City**

This is a complaint filed by former employees of September 13, 2013 for illegal dismissal, non-payment of salary, among others. After submission of the parties' respective Position Papers, the Labor Court rendered a decision on December 05, 2013 ordering e-Biz to pay the amount of Php 140,884.53 to Jobelle M. Panzo and Php 149,564.53 to Winnie C. Chua. E-Biz manifested to the Labor Court that it will no longer appeal aforesaid decision. E-Biz paid complainants on February 6, 2014.

## OPERATIONAL AND FINANCIAL PERFORMANCE

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

#### Stock Prices (as adjusted)

	2014		2013		2012	
	High	Low	High	Low	High	Low
1st Quarter	2.65	2.47	2.70	2.42	1.91	1.85
2nd Quarter	n/a	n/a	2.92	2.28	1.83	1.83
3rd Quarter	n/a	n/a	2.69	2.38	1.90	1.88
4th Quarter	n/a	n/a	2.70	2.44	2.45	2.41

As of 31 May 2013, there were 645 shareholders of the 2,099,791,133 common shares issued and outstanding. As of the latest practicable trading date, 3 July 2014, the Registrant's shares were traded at the price of ₱2.79 per share in Philippine Stock Exchange.

On November 10 2009, the BOD approved the proposal to buy back from the market up to Three Hundred Million Pesos (P300,000,000.00) worth of shares of the Corporation. As of May 31, 2014, the total number of shares repurchased from the market is 135,599,500 worth P190.46 million.

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

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

There is no sale of unregistered securities within the past four (5) years.

#### Top 20 shareholders as of May 31, 2014:

	RECORD OWNER	NO. OF SHARES	% TO TOTAL ISSUED SHARES
1	PCD NOMINEE CORP.	2,165,721,202.00	96.88%
2	TRANS- ASIA SECURITIES, INC.	6,830,000.00	0.31%
3	EAST PACIFIC INVESTORS CORPORATION	4,520,000.00	0.20%
4	A. BROWN COMPANY, INC.	3,441,250.00	0.15%
5	LUCIO W. YAN &/OR CLARA YAN	3,406,250.00	0.15%
6	OCX DEVELOPMENT CORPORATION	3,200,000.00	0.14%
7	RICARDO L. NG	1,624,375.00	0.07%
8	AGAPITO C. BALAGTAS, JR.	1,437,500.00	0.06%
9	APRICINIA B. FERNANDEZ	1,437,500.00	0.06%
10	SUZANNE LIM	1,437,500.00	0.06%

11	HARLEY SY	1,437,500.00	0.06%
12	CYGNET DEVELOPMENT CORPORATION	1,406,250.00	0.06%
13	JERRY TIU	1,365,625.00	0.06%
14	CAMPOS, LANUZA & CO., INC.	1,161,500.00	0.05%
15	WILSON L. SY	1,150,000.00	0.05%
16	PCD NOMINEE CORPORATION (NON-FILIPINO)	892,253.00	0.04%
17	JOHN PETER YU &/OR JUAN YU	800,000.00	0.04%
18	AVESCO MARKETING CORPORATION	718,750.00	0.03%
19	MARY TAN DE JESUS	706,250.00	0.03%
20	R. COYIUTO SECURITIES, INC.	640,000.00	0.03%

#### Dividends

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

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

#### RESULTS OF OPERATIONS FOR THE FIRST QUARTER OF 2014 COMPARED TO 31 DECEMBER 2013 AND 2012

In Millions	Unaudited	Audited	
	March 31, 2014	December 31, 2013	December 31, 2012
<b>Balance Sheet</b>			
Assets	7,749	7,451	7,285
Liabilities	356	578	1,193
Stockholders' Equity	7,393	6,873	6,632
Book Value per Share	3.31	3.07	2.97
<b>Income Statement</b>			
Revenues	237	1,188	1,059
Expenses	119	516	524
Other Income / (Charges)	(14)	(42)	35
Net Income	104	630	570
Earnings per Share	0.04	0.28	0.26

#### Results of Operations for the Quarter Ended March 31, 2014

The Company posted a consolidated net income of Php 104 million as of the first quarter of 2014 lower by 69% compared to same period last year of Php 338 million. On a per share basis, the company earned 0.04 centavos compared to 0.15 centavos for the periods under review.

Equities in Emerging Markets like the Philippines rebounded sharply in the 1Q14 after being sold down to end 2013. This was despite most foreign research houses calling for our market to experience more declines and for the peso to keep depreciating. It looks as if fund flows rotated out of Developed Markets and into markets that became cheap after the selloff. Philippines especially outperformed since it was one of the worst hit in 2013. We can see this reflected in the performance

of the S&P 500 and MSCI World Index, registering gains of 1.3% and 0.8% respectively. Meanwhile, the PHISIX gained 9.1% and Vantage outperformed this, gaining 11.9% for the 1Q.

In Fixed Income, activity was muted as all eyes are still on the fed and tapering. The local bond market was quiet during the 1Q. With the threat of rising interest rates sooner rather than later, market participants were reluctant to add to risk positions and we saw yields moving higher as a result. The 10yr benchmark yield rose 65bp in the 1Q, while the 25yr benchmark yield rose 21bp. The benchmark HSBC Local Bond Index gained 1% while the Company's portfolio lost 1.3% in 1Q14.

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

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

eBiz continues to achieve record money transfer volume, hitting over 1.8 million transactions worth in excess of USD 380 million in 1Q 2014. Money transfer revenues grew 18% Y/Y to P89.07million due to strong transaction volume growth and a more stable USD/PHP. The growth in money transfer revenues was complemented by an even stronger growth in the Company's foreign exchange operations which increased by 47% Y/Y to P31.89 million from P21.76 million in 1Q 2013, and sustained revenue from other products of P3.57 million in 1Q 2014. Meanwhile, the Company's operating expenses rose 6% Y/Y to P75.78 million from P71.71 million in 1Q 2013. After provisions and taxes, eBiz posted a net income of P33.98 million in 1Q 2014, up by 73% from Php19.69 million in 1Q 2013.

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

Increase in total revenue of 64.48% is significantly caused by the increase of Php3.7M in digital PR and Php2.5M in web development and maintenance. Yehey! was also able to manage its expenses as demonstrated in the decrease in its cost of services by 27% and general and administrative expenses by 2%. As a result net income increased by Php2.6 million from a net loss during the same period last year

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

1Q14 resulted in higher net subscriptions of P482.33 million largely in part from a strong rally of the Philippine stock market from YE2013. The launching of Philequity Dividend Yield Fund was the leading driver for subscriptions which took up P 299.18 million or a 62.03 percent share of total net subscriptions. Total assets under management increased by 25.24 percent from P 8.64 billion in 4Q13 to P 10.82 billion in 1Q14 mainly due to the Company's appointment as a local equity manager for the Government Service Insurance System and the launching of Philequity Dividend Yield Fund.

#### **Key Performance Indicators**

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

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Current Ratio <sup>1</sup>	790.85%	467.67%
Assets to Equity <sup>2</sup>	104.82%	108.42%
Liabilities to Equity <sup>3</sup>	4.82 %	8.42%
Return on Average Assets <sup>4</sup>	1.37%	8.25%
Return on Average Equity <sup>5</sup>	1.46%	9.33%



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

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

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

Income Statement items – three month period ending 31-March-2014 versus 31-March-2013

*17.94% increase in money transfer service*

Resulted from strong growth in money transfer transactions.

*518.97% increase in internet sales and services*

Significant increase in digital PR and web development and maintenance services

*46.44% increase in money changing and foreign exchange*

Brought by strong peso value against US dollar

*88.14% increase in mutual fund income*

Mainly due to increase in assets under administration

*36.95% decrease in interest income*

Factored by maturity of SMIC CLN note in 3Q of 2013

*100.28% decrease in trading gain/loss*

Lesser selling transactions of equity securities due to decrease in market price

*296.14% increase in other income*

Caused by increase in dividend income

*22.53% increase in cost of services and sales*

Primarily due to increase in commission expense which corresponds to increase in money transfer revenue

*74.71% decrease in interest and bank charges*

Primarily due to lower volume of US dollar denominated loans from banks

Balance Sheet items – March, 2014 versus end 2013

*32% decrease in loans and receivables*

Primarily lesser receivable from Western Union

*308% increase in financial assets at FVPL*

Purchase of debt securities

*405% increase in prepaid taxes and other current assets*  
Largely due to creditable withholding taxes and increase in prepaid rent

*44% decrease in accounts payable and accrued expenses*  
Due to lower payable to sub-agents and brokers

In Millions	2013	As Restated- 2012	As Restated- 2011
<b>Balance Sheet</b>			
Assets	7,451.04	7,831.90	5,848.28
Liabilities	578.48	1,191.35	306.61
Stockholder's Equity	6,872.56	6,640.55	5,541.67
<b>Income Statement</b>			
Revenues	1,187.74	1,058.95	1,048.99
Expenses	545.46	494.27	515.36
Other Income/(Charges)	58.87	46.08	26.49
Net Income	630.12	569.25	529.06
Earnings per Share	0.28	0.26	0.24
<b>Key Performance Indicators</b>			
Current Ratio (Current Assets/Current Liabilities)	4.68	2.31	4.88
Leverage Ratio (Total Debt/Total Equity)	0.08	0.18	0.06
Comprehensive Return on Equity (Comprehensive Income/Total Equity)	0.03	0.16	0.12
Book Value Per Share	3.27	3.16	2.64

#### **Results of Operations for the Year Ended 2013 (Y2013 vs Y2012)**

The Company posted a consolidated net income of P630.12 million as of December 31, 2013, higher by 11% compared to Php569.25 million in 2012. On a per share basis, the Company earned P0.28 as of December 31, 2013 compared to P0.26 centavos as of December 31, 2012.

2013 was quite the tumultuous year for global markets in general. The first half of the year was a continuation of the uptrend the Company experienced in 2012. We had record stimulus coming from Japan with Abenomics. Meanwhile, growth in the US seemed to be finally back on track. It looked as if we had a goldilocks environment, not too hot, not too cold. However, the good times finally ended in May, when we got a surprise from the US FED that they would start tapering their bond purchases. This was a complete game changer for the markets, as most expected tapering to come much later. This caused a complete selloff in risky assets. Emerging market stocks fell off a cliff, bond yields shot up, and foreign exchange markets went on a wild rollercoaster ride. For the year, the S&P 500 and the MSCI World Index registered returns of 29.6% and 24.1%, respectively, compared to already good growth of 13.4% and 13.2%, respectively, in 2012.

The US held its value despite the threat of higher interest rates and bond purchase tapering because finally, good news was good news. It looked like the US would start becoming a global growth engine



again. However, this was especially bad news for emerging markets, as foreign fund flow suddenly reversed from these countries. It was a mass exodus from EM to DM ever since the announcement by the Fed in May. Foreign funds and ETFs had orders to zero out their positions in the Philippines and were forced to sell at any price. So after hitting record highs of 7,400 in May, the PHISIX gave up all its gains for the year and then some, before fighting to get back to even at the end of the year. For 2013, the PHISIX and the Company's equity portfolio gained 1.3% and -4.4%, respectively, compared to 33.0% and 30.6%, respectively, in 2012.

On the fixed income side, yields followed the movement in equities, hitting record lows up to May and then reversing all its gains until the end of the year. Despite flush liquidity coming from funds released from the BSP SDA, bonds were out of favor because foreign investors flocked to get out of any emerging market assets. This was exacerbated with the PHP depreciating from 40.50 all the way up to 44.80 with foreign banks predicting that it would even reach 48. Thus fund managers had a fire sale on PHP assets and went back to holding USD. Those USD eventually found their way back to US markets. Still, 10-year and 20-year benchmark yields were lower by 60 bps and 78 bps respectively from end-2012 to end-2013, but at the low, they were lower by 140bp and 240bp respectively. The Company's fixed income portfolio gained 7.4% in 2013, outperforming the benchmark HSBC Local Bond Index which gained 5.1% during the same period. In 2012, the Company's fixed income portfolio and the HSBC Local Bond Index gained 9.5% and 8.9% respectively.

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

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

eBiz continues to achieve record money transfer volume, hitting over 5.7 million transactions worth in excess of USD 1.2 billion in 2013. Money transfer revenues grew 5% Y/Y to P326.23 million due to strong transaction volume growth and a more stable USD/PHP. The growth in money transfer revenues was complemented by an even stronger growth in the Company's foreign exchange operations and other products which increased by 53% Y/Y to P229.60 million from P150.53 million in 2012. Meanwhile, the Company's operating expenses rose 13% Y/Y to P443.78 million from P393.46 million in 2012. After provisions and taxes, eBiz posted a net income of P78.56 million in 2013, up by 66% from P47.32 million in 2012.

#### **Yehey! Corporation**

The Company experienced a 14% decline in revenues to P27.0 million in 2013 from P31.4 million in 2012. This is mainly caused by a huge drop in earnings from digital PR from P19.0 million in 2012 to P9.0 million in 2013 or a decrease of 52%. In addition, web production revenues also decreased by 29% from P10.0 million in 2012 to P7.0 million in 2013, while revenue from Digital Strategy remains to be nil since 2012.

The decline in revenues is mitigated by a 21% decrease in total cost and expenses from P30.9 million to P24.5 million in 2012 and 2013, respectively. General and administrative expenses decreased as a result of lower legal and professional fees, non-recognition of provision for losses and absence of commission expense. All other costs have insignificant changes from 2013 to 2012.

Over-all, the Company's total comprehensive income plummeted to P1.4 million, a massive fall of 67% from an income of P13.9 million in 2012.

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

Net revenues in 2013 amounted to P107.6 million which is higher by 49% from P72.03 in 2012. Net subscriptions in 2013 grew 3.9x to P1.8 billion from P0.5 billion in 2012, while total assets under management increased 25% Y/Y to P8.6 billion as of end-2013 from P6.9 billion as of end-2012.

Expenses for the year were 18% lower as compared to last year yielding an overall YTD net profit for the Company of P69.8 million, a 105% increase from P34.1 million last year.

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

**Income Statement items - Y2013 versus Y2012**

*9.30% increase in commission income*

Due to money transfer transaction volume growth

*22.46% increase in forex exchange differential income*

Due to a stronger and more stable Peso.

*56.80% increase in management fee and service income*

Resulted from increase in assets under management

*119.11% increase in money changing gain*

Due to stronger and more stable Peso.

*8.90% decrease in dividend income*

Attributable to lesser dividend payout of equity securities

*41.16% decrease in internet sales and services*

Caused by decline in web development and production, digital PR and media sales

*75.95% increase in income from business partners*

Due to growth in Bayad Center and VIA Airlines transactions

*78.42% increase in cost of services*

Mainly due to increase in service fees

*35.59% increase in other income*

Attributable to income from disposal of condominium of Parent

*171.38% increase in interest expense and bank charges*

Primarily due to the increase in US dollar denominated loans from banks

**Balance Sheet items – Y2013 versus Y2012**

*10.17% increase in cash and cash equivalents*

Primarily due to increase in short-term investments

*72.05% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*

Primarily due to the decrease in quoted government bonds

*49.90% decrease in prepayments and other current assets*

Due to decrease in construction and renovation deposits

*100% decrease in loans and receivables-noncurrent*

Mainly due to pre-termination of long-term loans

*17.62% decrease in property, plant and equipment*

Due to disposal of condominium of Parent

100% decrease in deferred tax assets  
Due to lower allowance for credit losses

51.44% decrease in liabilities  
Largely due to settlement of USD denominated unsecured short-term loans from banks

36.50% decrease in cumulative unrealized gain on change in fair value of available-for-sale investments  
Mainly due to decrease in market value of fixed income and equity securities

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

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

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

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

Not to be outdone, the local equities market performed even better than its Western counterparts on the back of improvements in the country's fiscal position, four benchmark

rate cuts from the BSP and strong domestic consumption. For the year, the PHISIX and the Company's equity portfolio gained 33.0% and 30.6%, respectively, compared to 4.1% and 4.9%, respectively, in 2011.

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

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

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

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

#### **Yehey! Corporation**

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

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

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

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

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

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

## Other Matters

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

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

### **Income Statements items -Y2012 versus Y2011**

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

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

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

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

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

### **Balance Sheet items – Y2012 versus Y2011**

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

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

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

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

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

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

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

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

*94% increase in cumulative unrealized gain on change in fair value of available-for-sale investments*

Mainly due to revaluation of fixed income and equities securities.

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

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

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

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

Political stability and an improved fiscal and monetary environment have prompted debt ratings agency S&P to upgrade its outlook on the Philippines' long-term foreign currency debt to positive. As a result, interest rates trended lower especially on longer-dated securities. The 10-year benchmark fell by almost 70 bps from 6.1% in 2010 to 5.4% in 2011. The Company's fixed income portfolio gained 13.4% in 2011, outperforming the HSBC Local Bond Index which rose 12.8% during the same period. In 2010, the same portfolio posted a gain of 13.5% compared to a 12.1% gain of the benchmark.

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

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

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

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

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

#### **Yehey! Corporation**

A quasi reorganization which involved a re-alignment in management and rationalization of personnel was started sometime in the middle of 2010. Likewise, cost cutting and production

efficiency measures were introduced that year and continued to 2011. Thus in 2011, Yehey!'s financial performance improved substantially, posting net profit of P11.4 million from a net loss of P9.45 million in 2010.

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

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

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

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

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

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

PEMI's operating expenses amounted to Php 25.0 million and Php12.5 million in 2011 and 2010 respectively. This resulted to a net income of Php23.6 million in 2010 from Php16.3 million in 2010.

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

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

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

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

## DIRECTORS AND EXECUTIVE DIRECTORS

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

## CORPORATE GOVERNANCE

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

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

\* \* \*

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

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



EXHIBIT #

A 79

AS0920-07059

SEC Registration Number

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

(Fund's Full Name)

2004A East Tower, PSE Centre, Exc  
hange Road, Ortigas, Center, Pasi  
g City

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

MR. EDMUNDO MARCO P. BUNYI JR.

(Contact Person)

689-8090

(Fund Telephone Number)

12 31  
Month Day  
(Calendar Year)

17-A  
(Form Type)

12 31 13  
Month Day Year  
Period Ended

INVESTMENT HOLDING

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

648

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A**

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



1. For the calendar year ended: **December 31, 2013**
2. SEC Identification Number: **AS092-007059**
3. BIR Tax Identification No.: **002-010-620**
4. Exact name of registrant as specified in its charter:  
**VANTAGE EQUITIES, INC.**
5. Province, Country or other jurisdiction of Incorporation or organization:  
**Philippines**
6.  (SEC Use Only)  
Industry Classification Code
7. Address of Principal Office: **2703A East Tower, Philippine Stock Exchange Centre  
Exchange 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	2,099,791,133 (Net of Treasury Shares of 135,599,500)
11. Are any or all of these securities listed on the Philippine Stock Exchange  
Yes [  ] 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 [  ] No [  ]
  - b) has been subject to such filing requirements for the past 90 days  
Yes [  ] No [  ]
13. Aggregate market value of the voting stock held by non-affiliates as of 31 March 2014  
**P5,564,446,502.45**

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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Vantage Equities, Inc. (the “Corporation”), formerly iVantage Corporation, was incorporated in 20 October 1992 and is organized as an investment and financial holding company. It has authorized capital stock of One Billion Nine Hundred Million Pesos (₱1,900,000,000), all of which are in common shares with a par value of ₱1.00 per share. Of the authorized capital stock, 1,788,312,570 are outstanding and 111,687,430 remain unsubscribed. On 12 January 2009, Securities & Exchange Commission (SEC) approved the increase of authorized capital stock of the Corporation to Two Billion Two Hundred Fifty Million Pesos ₱2,250,000,000.00. Furthermore, the SEC has authorized the Corporation to issue 447,078,142 common shares out of its authorized but unissued capital stock to cover the twenty five percent (25%) stock dividend declared by the Corporation’s Board of Directors on 4 June 2008 and ratified by its shareholders on 27 June 2008. As of 31 March 2012, the Corporation has an authorized capital stock of Two Billion Two Hundred Fifty Million Pesos (₱2,250,000,000.00) divided into 2,250,000,000 common shares with par value of ₱1.00 per share. Out of the authorized capital stock, 2,235,390,633 shares are issued, of which 135,599,500 shares are in treasury.

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

#### Purpose

The Company was originally organized with the primary purpose of oil and gas exploration, and investments and developments as among its secondary purposes. On 3 October 2000, the Securities and Exchange Commission (SEC) approved the change in the Corporation’s primary purpose to financial holdings and investments, including but not limited to information technology companies and related ventures. Since the Registrant is an investment holding company, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

#### Investments

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

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

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

#### **e-Business Services, Inc. (“eBiz”) - 100% ownership**

eBiz traces its beginnings as the first Asia-Pacific direct agent of Western Union, an International money transfer service provider. Aside from money transfer services, eBiz also offers Philequity Mutual Funds, eLoad, Bayad Center bills payment center and Cebu Pacific, Air Asia and FETA ticketing services. Starting from just 3 service centers

in 1999, eBiz today operates 160 branches located in major cities and hubs throughout the country.

The company-owned branches are complemented by a network of sub-agents that effectively enables eBiz to extend its geographic reach to over 1,500 locations nationwide. eBiz agent-partners include some of the biggest commercial banks, supermarket chains and pawnshops in the country. Because of its reach and service excellence, eBiz hit over 5.7 million transactions worth in excess of USD 1.2 billion in 2013.

#### **eBiz Financial – 100% ownership**

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

#### **iCurrencies – 100% ownership**

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

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

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

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

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

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of 31 December 2013, the Fund has not yet launched its capital shares to the public.

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

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of 31 December 2013, the Fund has not yet launched its capital shares to the public.

#### **Philequity Dividend Yield Fund, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of equity securities. As of 31 December 2013, the Fund has not yet launched its capital shares to the public.

#### **Yehey! Corporation (“Yehey”) – 66.95% ownership**

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

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

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

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

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

Philequity Management, Inc. (PEMI) is an investment management company established in 1993. PEMI is proud to be the investment manager and principal distributor of Philequity Fund, Inc. (PEFI), the Philippines' best performing equity mutual fund. PEFI has been awarded by the Philippine Investment Funds Association (PIFA) as the best performing equity fund in the 10-year category, 2nd place in the 3 and 5-year categories. Philequity Peso Bond Fund, Inc. (PPBF) was also recognized by PIFA garnering 2nd place in the 5-year return category. Likewise, Philequity Dollar Income Fund, Inc. (PDIF) earned 1st place in the 5-year return category.

#### **Government Regulation and Environmental Compliance**

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

#### **Distribution Methods of Products and Services**

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

#### **Competition of Subsidiaries**

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

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

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

As of February 2014, the Philippine mutual fund industry is composed of 49 mutual funds compared to 41 mutual funds 5 years ago in 2009. The mutual fund industry is continuously growing. A major boost to the mutual fund industry was the BSP's decision lower interest rates as well as giving limited access to SDA accounts last year. As a result, investors have sought out other forms of investments. As of February 2014, mutual funds manage over P 211 billion in assets (AUM) versus P 60 billion in AUM 5 years ago in February 2009.

The industry is divided into 4 categories –stock, bond, balanced and money market funds. A large majority of total AUM is invested in bond funds at 48% followed by stock funds at 33%. While Philequity Management, Inc. (PEMI) offers five funds— Philequity Fund, Inc. (PEFI), Philequity PSE Index Fund, Inc. (PPSE), Philequity Dividend Yield Fund, Inc. (PDYF), Philequity Peso Bond Fund, Inc. (PPBF), and Philequity Dollar Income Fund, Inc. (PDIF), the company only competes in stock and bond funds.

Investors often use a fund's return performance and fees as a gauge for comparison when choosing a mutual fund. The industry does not have an aligned fee structure charged to their clients and as a result, investors look for the lowest sales load, management fee and exit fees charged by a mutual fund. In terms of performance, investors look at the top performing funds who have continued to outperform the benchmark as well as its competitors as a basis for comparison. Mutual funds that charge lower fees or a shorter holding period for exit fees are considered the main competitors of PEMI in terms of fees.

In terms of distribution, PEMI's main competitors in the industry are Bank of the Philippine Islands, First Metro Investment Corp., Philam Life Asset Management, Inc., and Sun Life Financial Philippines. The former two are large banking institutions while the latter two are renowned insurance companies—all four companies have vast distribution channels through branches or network of agents/financial advisors.

In comparison, PEMI's advantage is its long standing track record. PEFI for example has a 19-year track record of consistent outperformance of returns against the Philippine Stock Exchange Index (PSEi) with a compounded annual return of 19.24% since inception. It is a clear advantage as no other mutual fund in the industry has performed as well on a consistent, long term basis.

### **Yehey! Corporation – 66.95% ownership**

Yehey! considers the following as competitors:

- Digital Agencies
- Advertising Agencies

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

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

#### *BBDO-Proximity*

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

#### *Deploy*

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

#### *Havoc*

Havoc is a premier digital marketing company in the country with over 10 years of experience in creating digital properties, it helps its clients strategize and develop

campaigns that will maximize their brand in the online space. They specialize on advertising sales presentations, digital media planning and buying, web development, online communities, blog marketing and e-commerce.

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

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

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

### Financial Performance

The Company derived its revenues from various activities:

	2013	2012	2011
Commission income	342,445,176	313,304,937	334,087,049
Gain on sale of AFS investments	339,657,175	333,663,314	329,626,095
Interest income from:			
AFS investments	94,940,548	85,374,345	103,282,875
Cash and cash equivalents	20,389,850	22,511,417	11,535,280
Financial assets at FVPL	9,050,698	7,298,146	6,583,120
Unquoted debt securities	2,447,787	16,777,043	4,075,852
Share in foreign exchange differential	99,817,586	81,507,179	85,573,235
Management fee and service income	137,408,816	87,633,738	65,414,284
Money changing gain	74,663,400	34,076,538	36,485,920
Dividend income	33,743,756	37,039,014	35,610,251
Advertising, web development and internet service	18,484,881	31,417,088	33,851,638
Income from business partners	14,689,538	8,348,495	2,868,068
Others	-	-	386,945
<b>TOTAL</b>	<b>1,187,739,211</b>	<b>1,058,951,254</b>	<b>1,048,993,667</b>



As of December 31, 2013, the Company has a total of 502 employees as broken down below and are not subject to Collective Bargaining Agreements (CBA).

Position	No. of Employees	Anticipated No. of Additional Employees
Executive	1	
Senior Officer	7	2
Manager	21	2
Supervisor	92	
Staff	381	43
<b>Total</b>	<b>502</b>	<b>47</b>

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

### **Financial Risk Management**

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

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

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

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

Liquidity Risk is the risk that the Group will be unable to meet its obligations when they fall due under normal and stress circumstances. To limit the risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs. Any excess cash is invested in short-money market placements. These placements are maintained to meet maturing obligations.

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

## **Item 2. Properties**

### **Vantage Equities, Inc. - Parent**

*Office Condominium* - The condominium unit is located at Unit 2005 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. This is depreciated over an estimated useful life of 20 years and accounted for on a straight-line basis.

*Office Improvements* - These are improvements made to the Company's office space and being depreciated over an estimated useful life of 4 years accounted for on a straight line basis.

*Furniture, Fixtures and Equipment* - These equipments are used by the Company in conducting its daily operations and located at Unit 2005 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. These assets are being depreciated over an estimated useful life of 3-10 years and accounted for on a straight line basis.

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

**eBusiness Services, Inc. (“eBiz”) - 100% ownership**

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

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

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

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

**eBiz Financial Services, Inc. – 100% ownership**

The Company does not own any properties.

**iCurrencies, Inc. – 100% ownership**

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

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

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

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

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

**Philequity Dividend Yield Fund, Inc. – 100% ownership**

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

**Yehey! Corporation – 66.95% ownership**

*Server and Network Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 1801-A East Tower PSE Center Brgy. San Antonio, Pasig City.

*Furniture, Fixture and Office Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 1801-A East Tower PSE Center Brgy. San Antonio, Pasig City.

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

*Leasehold Improvement* - The Company is leasing its office at 1801-A East Tower PSE Center Brgy. San Antonio, Pasig City.

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

**Philequity Management, Inc. – 51% ownership**

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

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

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

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

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

**Item 3. Legal Proceedings**

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

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

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

3.2. **Civil Case No. 71390**,  
captioned “*e-Business Services Inc. vs. Prudential Guarantee Assurance, Inc.*”;  
RTC 152, Pasig City

This is a complaint filed by E-Business on November 6, 2007 against defendant for the latter’s refusal to settle and/or pay E-Business insurance claim as a result of loss of money due to robbery or brigandage. E-Business claims for the aggregate amount of Php 1,880,085.98 and US \$25,860.00 plus interest at the rate of 12% per annum from January 22, 2007, attorney’s

fees of not less than 20% of the claims, Php 500,000 as damages and the cost of suit. The parties mutually agreed to amicably settle the case for Php 700,000.00. Defendant already paid the said amount to e-Biz but the Joint Motion to Approve the Compromise Agreement and to dismiss the case remains pending for hearing on May 7, 2014 (earlier setting of February 6, 2014 was cancelled).

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

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

**3.4. NLRC NCR Case No. 09-13013-13,**  
captioned “*Jobelle Panzo and Winnie Chua vs. e-Business Services, Inc., Ed Bunyi and Louie Nonesa*”; NLRC, Pasig City

This is a complaint filed by former employees of September 13, 2013 for illegal dismissal, non-payment of salary, among others. After submission of the parties’ respective Position Papers, the Labor Court rendered a decision on December 05, 2013 ordering e-Biz to pay the amount of Php 140,884.53 to Jobelle M. Panzo and Php 149,564.53 to Winnie C. Chua. E-Biz manifested to the Labor Court that it will no longer appeal aforesaid decision. E-Biz paid complainants on February 6, 2014.

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

No matter was submitted to a vote of the security holders during the fourth quarter of 2013.

**PART II – OPERATIONAL AND FINANCIAL INFORMATION**

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

	2014		2013		2012	
	High	Low	High	Low	High	Low
1st Quarter	2.65	2.47	2.70	2.42	1.91	1.85
2nd Quarter	n/a	n/a	2.92	2.28	1.83	1.83
3rd Quarter	n/a	n/a	2.69	2.38	1.90	1.88
4th Quarter	n/a	n/a	2.70	2.44	2.45	2.41

As of 31 March 2014, there were 647 shareholders of the 2,100,535,133 common shares issued and outstanding. As of the close of trading on 31 March 2014, the Registrant’s shares were traded at the price of ₱2.65 per share in Philippine Stock Exchange.

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

On June 4, 2008, the BOD increased the Company’s authorized capital stock from P1.9B to P2.25B, as well as the issuance of 25% stock dividend to all stockholders. This increase in

capital stock was approved by the SEC on 12 January 2009, while the stock dividends were distributed to stockholders as of record date of 10 February 2009 on 06 March 2009.

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

There is no sale of unregistered securities within the past four (5) years.

**Top 20 shareholders as of December 31, 2013:**

	RECORD OWNER	NO. OF SHARES	% TO TOTAL
1	PCD NOMINEE CORP.	2,100,503,452	93.97%
2	SYSMART CORP.	60,178,375	2.69%
3	TRANS- ASIA SECURITIES, INC.	6,830,000	0.31%
4	SYSMART CORPORATION	5,000,000	0.22%
5	EAST PACIFIC INVESTORS CORPORATION	4,520,000	0.20%
6	A. BROWN COMPANY, INC.	3,441,250	0.15%
7	LUCIO W. YAN &/OR CLARA YAN	3,406,250	0.15%
8	OCX DEVELOPMENT CORPORATION	3,200,000	0.14%
9	RICARDO L. NG	1,624,375	0.07%
10	AGAPITO C. BALAGTAS, JR.	1,437,500	0.06%
11	APRICINIA B. FERNANDEZ	1,437,500	0.06%
12	SUZANNE LIM	1,437,500	0.06%
13	HARLEY SY	1,437,500	0.06%
14	CYGNET DEVELOPMENT CORPORATION	1,406,250	0.06%
15	JERRY TIU	1,365,625	0.06%
16	CAMPOS, LANUZA & CO., INC.	1,161,500	0.05%
17	WILSON L. SY	1,150,000	0.05%
18	PCD NOMINEE CORPORATION (NON-FILIPINO)	892,253	0.04%
19	JOHN PETER YU &/OR JUAN YU	800,000	0.04%
20	AVESCO MARKETING CORPORATION	718,750	0.03%

**Dividends**

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

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

In Millions	2013	As Restated- 2012	As Restated- 2011
<b>Balance Sheet</b>			
Assets	7,451.04	7,831.90	5,848.28
Liabilities	578.48	1,191.35	306.61
Stockholder's Equity	6,872.56	6,640.55	5,541.67
<b>Income Statement</b>			
Revenues	1,187.74	1,058.95	1,048.99
Expenses	545.46	494.27	515.36
Other Income/(Charges)	58.87	46.08	26.49
Net Income	630.12	569.25	529.06
Earnings per Share	0.28	0.26	0.24
<b>Key Performance Indicators</b>			
Current Ratio (Current Assets/Current Liabilities)	4.68	2.31	4.88
Leverage Ratio (Total Debt/Total Equity)	0.08	0.18	0.06
Comprehensive Return on Equity (Comprehensive Income/Total Equity)	0.03	0.16	0.12
Book Value Per Share	3.27	3.16	2.64

**Results of Operations for the Year Ended 2013 (Y2013 vs Y2012)**

The Company posted a consolidated net income of P630.12 million as of December 31, 2013, higher by 11% compared to P569.25 million in 2012. On a per share basis, the Company earned P0.28 as of December 31, 2013 compared to P0.26 centavos as of December 31, 2012.

2013 was quite the tumultuous year for global markets in general. The first half of the year was a continuation of the uptrend the Company experienced in 2012. We had record stimulus coming from Japan with Abenomics. Meanwhile, growth in the US seemed to be finally back on track. It looked as if we had a goldilocks environment, not too hot, not too cold. However, the good times finally ended in May, when we got a surprise from the US FED that they would start tapering their bond purchases. This was a complete game changer for the markets, as most expected tapering to come much later. This caused a complete selloff in risky assets. Emerging market stocks fell off a cliff, bond yields shot up, and foreign exchange markets went on a wild rollercoaster ride. For the year, the S&P 500 and the MSCI World Index registered returns of 29.6% and 24.1%, respectively, compared to already good growth of 13.4% and 13.2%, respectively, in 2012.

The US held its value despite the threat of higher interest rates and bond purchase tapering because finally, good news was good news. It looked like the US would start becoming a global growth engine again. However, this was especially bad news for emerging markets, as foreign fund flow suddenly reversed from these countries. It was a mass exodus from EM to DM ever since the announcement by the Fed in May. Foreign funds and ETFs had orders to zero out their positions in the Philippines and were forced to sell at any price. So after hitting record highs of 7,400 in May, the PHISIX gave up all its gains for the year and then some, before fighting to get back to even at the end of the year. For 2013, the PHISIX and the Company's equity portfolio gained 1.3% and -4.4%, respectively, compared to 33.0% and 30.6%, respectively, in 2012.

On the fixed income side, yields followed the movement in equities, hitting record lows up to May and then reversing all its gains until the end of the year. Despite flush liquidity coming from funds released from the BSP SDA, bonds were out of favor because foreign investors flocked to get out of any emerging market assets. This was exacerbated with the PHP

depreciating from 40.50 all the way up to 44.80 with foreign banks predicting that it would even reach 48. Thus fund managers had a fire sale on PHP assets and went back to holding USD. Those USD eventually found their way back to US markets. Still, 10-year and 20-year benchmark yields were lower by 60 bps and 78 bps respectively from end-2012 to end-2013, but at the low, they were lower by 140bp and 240bp respectively. The Company's fixed income portfolio gained 7.4% in 2013, outperforming the benchmark HSBC Local Bond Index which gained 5.1% during the same period. In 2012, the Company's fixed income portfolio and the HSBC Local Bond Index gained 9.5% and 8.9% respectively.

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

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

eBiz continues to achieve record money transfer volume, hitting over 5.7 million transactions worth in excess of USD 1.2 billion in 2013. Money transfer revenues grew 5% Y/Y to P326.23 million due to strong transaction volume growth and a more stable USD/PHP. The growth in money transfer revenues was complemented by an even stronger growth in the Company's foreign exchange operations and other products which increased by 53% Y/Y to P229.60 million from P150.53 million in 2012. Meanwhile, the Company's operating expenses rose 13% Y/Y to P443.78 million from P393.46 million in 2012. After provisions and taxes, eBiz posted a net income of P78.56 million in 2013, up by 66% from P47.32 million in 2012.

#### **Yehev! Corporation**

The Company experienced a 14% decline in revenues to P27.0 million in 2013 from P31.4 million in 2012. This is mainly caused by a huge drop in earnings from digital PR from P19.0 million in 2012 to P9.0 million in 2013 or a decrease of 52%. In addition, web production revenues also decreased by 29% from P10.0 million in 2012 to P7.0 million in 2013, while revenue from Digital Strategy remains to be nil since 2012.

The decline in revenues is mitigated by a 21% decrease in total cost and expenses from P30.9 million to P24.5 million in 2012 and 2013, respectively. General and administrative expenses decreased as a result of lower legal and professional fees, non-recognition of provision for losses and absence of commission expense. All other costs have insignificant changes from 2013 to 2012.

Over-all, the Company's total comprehensive income plummeted to P1.4 million, a massive fall of 67% from an income of P13.9 million in 2012.

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

Net revenues in 2013 amounted to P107.6 million which is higher by 49% from P72.03 in 2012. Net subscriptions in 2013 grew 3.9x to P1.8 billion from P0.5 billion in 2012, while total assets under management increased 25% Y/Y to P8.6 billion as of end-2013 from P6.9 billion as of end-2012. Expenses for the year were 18% lower as compared to last year yielding an overall YTD net profit for the Company of P69.8 million, a 105% increase from P34.1 million last year.

#### **Other Matters**

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

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

### **Income Statement items - Y2013 versus Y2012**

*9.30% increase in commission income*

Due to money transfer transaction volume growth

*22.46% increase in forex exchange differential income*

Due to a stronger and more stable Peso.

*56.80% increase in management fee and service income*

Resulted from increase in assets under management

*119.11% increase in money changing gain*

Due to stronger and more stable Peso.

*8.90% decrease in dividend income*

Attributable to lesser dividend payout of equity securities

*41.16% decrease in internet sales and services*

Caused by decline in web development and production, digital PR and media sales

*75.95% increase in income from business partners*

Due to growth in Bayad Center and VIA Airlines transactions

*78.42% increase in cost of services*

Mainly due to increase in service fees

*35.59% increase in other income*

Attributable to income from disposal of condominium of Parent

*171.38% increase in interest expense and bank charges*

Primarily due to the increase in US dollar denominated loans from banks

### **Balance Sheet items – Y2013 versus Y2012**

*10.17% increase in cash and cash equivalents*

Primarily due to increase in short-term investments

*72.05% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*

Primarily due to the decrease in quoted government bonds

*49.90% decrease in prepayments and other current assets*

Due to decrease in construction and renovation deposits

*100% decrease in loans and receivables-noncurrent*

Mainly due to pre-termination of long-term loans

*17.62% decrease in property, plant and equipment*

Due to disposal of condominium of Parent

*100% decrease in deferred tax assets*

Due to lower allowance for credit losses

*51.44% decrease in liabilities*

Largely due to settlement of USD denominated unsecured short-term loans from banks

*36.50% decrease in cumulative unrealized gain on change in fair value of available-for-sale investments*

Mainly due to decrease in market value of fixed income and equity securities



### **Income Statement items - Y2012 versus Y2011**

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

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

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

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

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

### **Balance Sheet items – Y2012 versus Y2011**

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

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

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

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

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

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

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

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

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

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

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

Despite global macroeconomic headwinds such as the US fiscal cliff, the EU sovereign debt crisis, threat of a China hard landing and slowing global growth, global equity markets have managed to perform strongly in 2012 on the back of monetary easing by most central bankers.

The ECB's Outright Monetary Transactions (OMT) and the US Fed's Quantitative Easing 3 (QE3) in 3Q12 have spurred a rally in global equities markets. For the year, the S&P 500 and the MSCI World Index registered returns of 13.4% and 13.2%, respectively, compared to a flat growth and -7.6%, respectively, in 2011.

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

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

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

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

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

#### **Yehev! Corporation**

The Company experienced a 41% decline in revenues to P18.5 million in 2013 from P31.4 million in 2012. This is mainly caused by a huge drop in earnings from digital PR from P19.0 million to P9.0 million or a decrease of 52%. In addition, web production revenues also decreased by 29% from P10.0 million to P7.0 million. Revenue from Digital Strategy remains to be nil since 2012.

The decline in revenues is mitigated by a 25% decrease in total cost and expenses from P31.0 million to P23.4 million. General and administrative expenses decreased as a result of lower legal and professional fees and provision for losses. All other costs have insignificant changes from 2013 to 2012.

Over-all, the Company's total comprehensive income plummeted to P4.0 million, a massive decline of 71% from an income of P13.9 million in 2012.

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

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

As of end-2012, the Company's assets under management increased 41.4% to Php6.9 billion from Php4.9 billion as of end-2011. Net sales likewise increased 138.9% from

Php197.2 million in 2011 to Php471.1 million in 2012. As a result, service income increased 33.9% to Php87.0 million from Php65.0 million in 2011. After expenses and taxes, comprehensive income in 2012 increased 54% to Php34.1 million.

### **Other Matters**

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

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

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

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

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

Political stability and an improved fiscal and monetary environment have prompted debt ratings agency S&P to upgrade its outlook on the Philippines' long-term foreign currency debt to positive. As a result, interest rates trended lower especially on longer-dated securities. The 10-year benchmark fell by almost 70 bps from 6.1% in 2010 to 5.4% in 2011. The Company's fixed income portfolio gained 13.4% in 2011, outperforming the HSBC Local Bond Index which rose 12.8% during the same period. In 2010, the same portfolio posted a gain of 13.5% compared to a 12.1% gain of the benchmark.

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

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

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

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

Meanwhile, eBiz's efforts to raise operating efficiencies have resulted to cost savings of about Php 4 million, as expenses declined to Php 354 million in 2011 from Php 358 million in 2010.

However, because of weaker top line growth, 2011 net income fell 45.0% to P37 million from P67 million in 2010.

### **Yehey! Corporation**

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

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

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

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

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

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

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

PEMI's operating expenses amounted to Php 25.0 million and Php12.5 million in 2011 and 2010 respectively. This resulted to a net income of Php23.6 million in 2010 from Php16.3 million in 2010.

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

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

**Item 7. Financial Statements**

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

**Information on Independent Accountant**

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

	2013	2012
Audit fee	711,040.00	711,040.00
Tax Services	-	-
Other Fees	-	-
<b>TOTAL</b>	<b>711,040.00</b>	<b>711,040.00</b>

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

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

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

**PART III – CONTROL AND COMPENSATION INFORMATION****Item 9. Directors and Executive Officers of the Registrant**

Office	Period Served	Name	Citizenship	Age
Director	2003 to present	Ignacio B. Gimenez	Filipino	69
Director	2002 to present	Valentino L. Sy	Filipino	58
Chairman & CEO	2005 to present			
Director	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	49
President & COO				
Director	2003 to present	Joseph L. Ong	Filipino	60
Treasurer	2005 to present			
Director	1999 to present	Willy N. Ocier	Filipino	57
Director	2003 to present	Roberto Z. Lorayes	Filipino	70
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	61
Director	2005 to present	Antonio R. Samson	Filipino	68
Director	2013 to present	Gregorio T. Yu	Filipino	54
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	58
Asst. Corporate Secretary	2013 to present	Adrian Francis S. Bustos	Filipino	26

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

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

**Valentino C. Sy**

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

**Edmundo P. Bunyi, Jr,**

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

**Ignacio B. Gimenez**

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

**Joseph L. Ong**

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

**Willy N. Ocier**

Filipino, 57, is the Chairman and President of the Pacific Online Systems Corporation and has been a Director 1999. He also serves as Co-Vice Chairman of Belle Corporation and Highlands Prime, Inc., as Chairman of Tagaytay Midlands Golf Club, Inc., APC Group, Inc., and Sinophil Corporation. He is also the current Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and is a Director of Vantage Equities, Inc. He was also previously affiliated with Eastern Securities Development Corporation being its past President and Chief Operations Officer.

**Roberto Z. Lorayes**

Mr. Lorayes became a Director of the Company in 2003. Currently, he is the Chairman (1994 – present) of Philequity Management, Inc., a fund management company, and President (1993 – present) of Strategic Equities Corporation, a stockbrokerage firm. In the past Mr. Lorayes served as the Chairman of Board of Governors of the Philippine Stock Exchange, as President of Manila Stock Exchange, as President of UBP Securities, as President of Citicorp, Scringeour, Vickers, and as the Chairman of the Investment Companies Association of the Philippines. Mr. Lorayes has been an Independent Director of Vantage Equities, Inc. since 2003. He was also a Director of Philippine Central Depository. Prior to that, Mr. Lorayes was employed at the Bank of the Philippine Islands and Ayala Investment as the Senior Vice President. He received his Bachelor of Science in Commerce degree and Bachelor of Liberal Arts degree in De La Salle University and a Masters degree in Business Management from Ateneo de Manila University.

**Wilson L. Sy**

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

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

**Gregorio T. Yu**

Mr. Yu is a Director of the Company. He was a Director and Officer in several public companies until 2001 which includes the following: (a) Belle Corporation as the President and Chief Executive Officer; (b) Sinophil Corporation as President and Chief Executive Officer; and (c) APC Group Inc. as Vice-Chairman. Until 2001, he was also President of the following companies: (a) Tagaytay Highlands International Golf Club; (b) The Country Club at Tagaytay Highlands; (c) Tagaytay Midlands Golf Club; and (d) Pacific Online Systems Corporation. Until 2006, he was a Director and Treasurer of the listed company iVantage Corporation. He also held various positions in Chase Manhattan Bank, N.A., He was also the Assistant Vice President of R. S. Lim and Company, Inc, a member of the Makati Stock Exchange, Inc. He was a Director and a Member of Executive Committee and Audit Committee of the International Exchange Bank. Concurrently, he is a Director and Treasurer of CMB Partners, Inc., a Director and Chairman of the Executive Committee of Sterling Bank of Asia Inc. and a

Director of CATS Motors, Inc. Additionally, he is a Trustee of Xavier School, Inc and Xavier School Educational and Trust Fund, Inc. He graduated from De la Salle University with a Bachelor of Arts in Economics (Honors Program 1978), summa cum laude. Mr. Yu holds a graduate degree in Business Administration from Wharton School, University of Pennsylvania (1983) where he was in the Director's Honor List.

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

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

#### **Adrian Francis S. Bustos**

Filipino, 26, is the Assistant Corporate Secretary of the Company. He is also an incumbent Director and Corporate Secretary of Angat Hydropower Corporation and KWPP Holdings Corporation, and the Corporate Secretary of Emerald Holdings Corporation and Emerald Headway Distributors, Inc. He is also the Assistant Corporate Secretary of the following companies: I-Remit, Inc.; Philequity funds (9 corporations); Palm Concepcion Power Corporation; JTKC Land, Inc.; The Country Club at Tagaytay Highlands, Inc.; Tagaytay Midlands Golf Club Inc.; and FHE Properties Inc. He obtained his Bachelor of Science degree in Business Administration and Bachelor of Laws degree from the University of the Philippines in 2008 and 2012, respectively. He is currently an associate of Tan Venturanza Valdez (2013 to date). He was formerly connected with Vicsal Investment, Inc. (2013) as a financial analyst and he is a Chartered Financial Analyst (CFA) level 1 passer. He was admitted to the Philippine bar in April 2013.

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

Messrs. Valentino Sy and Wilson Sy are brothers.

#### **Independent Director**

Mr. Gregorio T. Yu was nominated and elected, while Mr. Antonio R. Samson was re-elected as the independent directors of the Company in compliance with the requirements of Rule 38 of the Securities Regulation Code.

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

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



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

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

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, an incumbent Director of I-Remit, Inc. 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; (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, which was dismissed by the RTC in its Omnibus Order dated 29 November 2005 and 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) another Complaint for Estafa (I.S. No. 08K-89713) which was submitted for resolution in 2009 was only acted upon and dismissed by Office of the City Prosecutor of Manila on March 18, 2013. (iv) 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, MC03-77 and MC04-082) before the RTC of Mandaluyong City, which cases have been settled and the RTC Mandaluyong has on March 6, 2006, promulgated a Joint Decision approving the settlement agreement. However, while the main cases have been settled, a group of UCLI members who were not included in the settlement and were not in favor of its terms initiated suit to nullify the same. RTC Mandaluyong rejected moves to assail the settlement prompting this group to elevate their complaint to the Court of Appeals, The Court of Appeals partially granted the group's prayer and revived the writs of attachment and garnishment but only to such extent as to cover the remaining claims (P10,423,724.00), which ruling was affirmed by the Supreme Court in its Resolution dated 16 November 2009.

On October 11, 2012, the same group of people who were not included in the settlement-filed a Motion for Re-Issuance of Writs of Attachment and Garnishment in SEC Case No. MC-03-075, which the RTC-Mandaluyong, Branch 211 granted in an Order dated 28 November 2013. This Order is still the subject of a Motion for Reconsideration that has yet to be resolved by the Court. Atty. Tan moved for the dismissal of the case plaintiff's failure to prosecute the same, but the RTC Mandaluyong denied his motion, Atty. Tan then filed a Petition for Certiorari with the Court of Appeals.

#### **Significant Employees**

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

## Item 10. Executive Compensation

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

The Company has no price or stock warrants.

### Summary Compensation Table (Annual Compensation)

Name and Principal Position	Year	Annual Compensation
<b>Valentino C. Sy</b> Chairman & CEO		
<b>Edmundo P. Bunyi, Jr.</b> President & COO		
<b>Joseph L. Ong</b> Treasurer		
<b>All officers and directors as a group</b>	2014 (Estimate)	5,671,688.18
	2013	5,417,571
	2012	5,347,232

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

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

As of 31 March 2014, Vantage Equities, Inc. knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with the Company	Record (r) Beneficial (b) Owner	Citizenship	Number of Shares	Percent of Class
Common	PCD Nominee Corp. (*) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue, Makati City	Stockholder	r	Filipino	2,100,542,827	99.97%

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

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with Company	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	<b>Wealth Securities, Inc.</b> 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,843,632,508 r	Filipino	87.10%

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

Class	Name and Address of Record Owner and Relationship with Issuer	Relationship with Company	Citizenship	Number of Shares	% Held
Common	<b>Creative Wisdom, Inc.</b> 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	884,350,718	42.12%

## 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 2014:

Title of Class	Name of Record/Beneficial Owner	Amount & Nature of Record/Beneficial Ownership	Citizenship	Percent of Class
Common	Ignacio B. Gimenez	12,500 (direct)	Filipino	0.0006%
Common	Roberto Z. Lorayes	25,000 (direct)	Filipino	0.0012%
Common	Valentino C. Sy	62,957,812 (direct)	Filipino	2.9983%
Common	Edmundo P. Bunyi, Jr.	6,262,500 (direct)	Filipino	0.2982%
Common	Joseph L. Ong	12,500 (direct)	Filipino	0.0006%
Common	Willy N. Ocier	8,310,000 (direct)	Filipino	0.3958%
Common	Wilson L. Sy	184,150,000 (direct)	Filipino	8.7699%
Common	Antonio R. Samson	62,500 (direct)	Filipino	0.0030%
Common	Gregorio T. Yu	2,100,500 (direct)	Filipino	0.1000%
Common	A. Bayani K. Tan	1,437 (direct)	Filipino	0.0001%
All Directors and Officers as a group		263,894,749		12.5677%

### Voting Trust Holders of 5% or More

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

### Changes in Control

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

## Item 12. Certain Relationships and Related Transactions

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

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

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

12.1 The Company waived the collection of rental for the lease of office of Yehey! for the years 2012 and 2013.

12.2 In 2013, 2012 and 2011, the Parent Company paid certain expenses of e-Business, eBusiness Financial, Yehey!, PEMI and iCurrencies, which were later billed for reimbursement.

12.3 In February 2013, the Company provided advances to Vantage Equities Exchange Traded Fund, Inc. (ETF) amounting to ₱252.02 million as a seed capital for its incorporation and registration to SEC.

12.4 The Company extended advances to Philequity Dividend Yield Fund and Fifth Agency Unified Services, Inc. for working capital purposes.

12.5 Compensation of key management personnel of the Group:

	2013	2012	2011
Salaries & wages	14,187,608	12,402,468.00	15,555,985.00
Retirement benefits	1,797,332	478,475.00	848,770.00
<b>TOTAL</b>	<b>15,984,940</b>	<b>12,880,943.00</b>	<b>16,404,755.00</b>

#### **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

- **Filed 05 August 2013**

Letter to PSEI dated 05 August 2013 Re: Minutes of the Annual Stockholders' Meeting (List of elected Directors & Officers of the Corporation and List of elected members of various Board Committees)

- **Filed 13 August 2013**

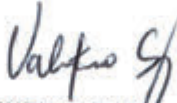
Letter to PSEI dated 13 August 2013 Re: Resignation of Mr. Gregorio Kilayko and appointment of Mr. Gregorio Yu as independent director.

**SIGNATURES**

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

**VANTAGE EQUITIES, INC.**

By:



**VALENTINO C. SY**  
Chairman & CEO



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

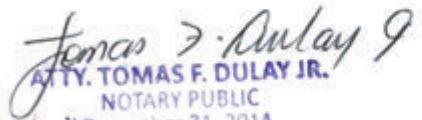


**MARIBEL E. BERE**  
Comptroller

SUBSCRIBED AND SWORN to before me this APR 04 2014 at PASIG CITY, affiants exhibiting to me their Community Tax Certificates

Name	CTC No.	Date of Issue	Place of Issue
Valentino C. SY	06313444	February 06, 2014	Pasig City
Edmundo Marco P. Bunyi, Jr.	27942545	January 07, 2014	Pasig City
Maribel E. Bere	06368915	March 18, 2014	Pasig City

Doc No. 259  
Page No. 52  
Book No. 98  
Series of 2014.

  
**ATTY. TOMAS F. DULAY JR.**  
NOTARY PUBLIC  
Until December 31, 2014  
ADM MATTER #. NP-061-2014-2015  
PTR# 004238301-02 /01-07-14 Q.C.  
IBPR 915073 CY-2014 Q.C.  
Roll No. 16583/03/13-61  
TIN# 410225916  
Apt. 97 Legaspi St. Proj. 4 Q.C.  
MCLE EXEMPTED # 000838

VANTAGE EQUITIES, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17 – A, Item 7

Page No.

Consolidated Financial Statements

Statement of Management’s Responsibility for Financial Statements  
Report of Independent Public Accountant  
Consolidated Balance Sheets as of December 31, 2013 and 2012  
Consolidated Statements of Income and Retained Earnings for the  
Years Ended December 31, 2013, 2012 and 2011  
Consolidated Statements of Cash Flows for the Years Ended  
December 31, 2013, 2012 and 2011  
Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

**Part 1**

- I Schedule of Retained Earnings Available for Dividend Declaration  
(Part 1 4C, Annex 68-C)
- II Schedule of all effective standards and interpretations under PFRS  
(Part 1 4J)
- III Map showing relationships between and among parent, subsidiaries, an associate,  
and joint venture (Part 1 4H)

**Part 2**

- A Financial Assets (Part II 6D, Annex 68-E, A)
- B Amounts Receivable from Directors, Officers, Employees, Related Parties and  
Principal Stockholders (Other than Affiliates)  
(Part II 6D, Annex 68-E, B)
- C Amounts Receivable from Related Parties which are eliminated during the  
consolidation of financial statements (Part II 6D, Annex 68-E, C)
- D Intangible Assets - Other Assets (Part II 6D, Annex 68-E, D)
- E Long-Term Debt (Part II 6D, Annex 68-E, E)
- F Indebtedness to Related Parties (included in the consolidated statement of  
financial position) (Part II 6D, Annex 68-E, F)
- G Guarantees of Securities of Other Issuers (Part II 6D, Annex 68-E, G)
- H Capital Stock (Part II 6D, Annex 68-E, H)

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

## INDEX TO EXHIBITS

### Form 17-A

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

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

# COVER SHEET

A S 0 9 2 0 - 0 7 0 5 9

SEC Registration Number

V A N T A G E   E Q U I T I E S ,   I N C .   A N D   S U B S I D  
I A R I E S

(Company's Full Name)

2 0 0 4 A   E a s t   T o w e r ,   P S E   C e n t r e ,   E x c  
h a n g e   R o a d ,   O r t i g a s   C e n t e r ,   P a s i g  
C i t y

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

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

**620-2300**  
(Company Telephone Number)

1 2  
*Month*  
(Fiscal Year)

3 1  
*Day*

(Fiscal Year)

A A C F S  
(Form Type)

*Month*

*Day*

(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

**None**

Amended Articles Number/Section

**648**

Total No. of Stockholders

Total Amount of Borrowings

<b>None</b>	<b>None</b>
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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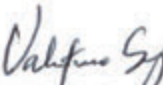
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

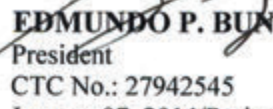
The management of **Vantage Equities, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the accounting principles generally accepted in the Philippines as prescribed in Note 2 to the financial statements. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.


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

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

Signed this 27<sup>th</sup> day of March, 2014.

  
**VALENTINO C. SY**  
Chairman  
CTC No.: 06313444  
February 06, 2014/Pasig City  
TIN: 122-335-536

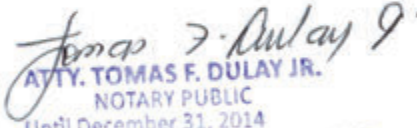
  
**EDMUNDO P. BUNYI, JR.**  
President  
CTC No.: 27942545  
January 07, 2014/Pasig City  
TIN: 107-184-956

  
**JOSEPH L. ONG**  
Treasurer  
CTC No.: 33072995  
January 06, 2014/San Juan City  
TIN: 108-789-427

**APR 04 2014**

**SUBSCRIBED AND SWORN** to me before this \_\_\_\_\_ at Pasig City, affiants exhibiting to me their Community Tax Certificates.

Doc. No. 560  
Page No. 52  
Book No. 98  
Series of 2014

  
**ATTY. TOMAS F. DULAY JR.**  
NOTARY PUBLIC  
Until December 31, 2014  
ADM MATTER #. NP-051-2014-2015  
PTR# 904238301-02/01-07-14 Q.C.  
IBPR 915873 CY-2014 Q.C.  
Roll No. 18583103/13-61  
TIN# 410275916  
Add. 32 Legaspi St. Proj. 4 Q.C.  
MCLE EXEMPTED # 000836



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

Tel: (632) 891 0307  
Fax: (632) 819 0872  
ey.com/ph

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

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Vantage Equities Inc.

We have audited the accompanying consolidated financial statements of Vantage Equities, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, 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 consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

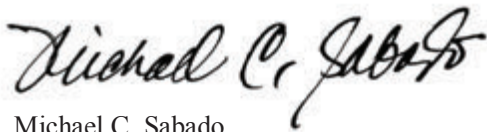
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado  
Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-2 (Group A),  
March 26, 2014, valid until March 25, 2017

Tax Identification No. 160-302-865

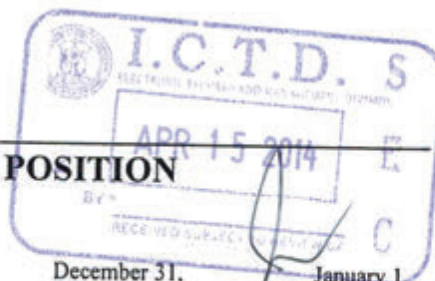
BIR Accreditation No. 08-001998-73-2012,  
April 11, 2012, valid until April 10, 2015

PTR No. 4225212, January 2, 2014, Makati City

March 27, 2014



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



	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 7)	P1,508,355,073	P1,369,141,777	P540,411,971
Loans and receivables - current portion (Note 8)	1,047,121,803	912,499,486	824,397,007
Financial assets at fair value through profit or loss (Note 9)	125,817,583	450,158,034	86,739,792
Prepaid expenses and other current assets (Note 11)	4,366,603	8,716,170	13,899,226
<b>Total Current Assets</b>	<b>2,685,661,062</b>	<b>2,740,515,467</b>	<b>1,465,447,996</b>
<b>Noncurrent Assets</b>			
Loans and receivables - noncurrent portion (Note 8)	-	150,000,000	-
Available-for-sale investments (Note 10)	4,693,378,559	4,856,579,928	4,299,216,023
Investments in an associate and a joint venture (Note 12)	119,228	119,228	4,957,780
Property and equipment (Note 13)	37,823,332	45,910,550	44,331,659
Retirement asset (Note 22)	4,758,107	6,764,863	6,343,023
Goodwill	3,654,985	3,654,985	3,654,985
Deferred tax assets (Note 25)	-	3,819,683	2,040,989
Other noncurrent assets (Note 14)	25,645,239	24,538,270	22,290,539
<b>Total Noncurrent Assets</b>	<b>4,765,379,450</b>	<b>5,091,387,507</b>	<b>4,382,834,998</b>
	<b>P7,451,040,512</b>	<b>P7,831,902,974</b>	<b>P5,848,282,994</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities (Note 15)	P535,170,891	P298,281,534	P288,465,029
Income tax payable	39,095,270	12,039,746	12,073,051
Notes payable (Note 16)	-	874,775,500	-
<b>Total Current Liabilities</b>	<b>574,266,161</b>	<b>1,185,096,780</b>	<b>300,538,080</b>
<b>Noncurrent Liabilities</b>			
Deferred tax liabilities (Note 25)	744,558	3,642,235	4,141,945
Retirement liabilities (Note 22)	3,464,867	2,607,486	1,926,564
<b>Total Noncurrent Liabilities</b>	<b>4,209,425</b>	<b>6,249,721</b>	<b>6,068,509</b>
<b>Total Liabilities</b>	<b>578,475,586</b>	<b>1,191,346,501</b>	<b>306,606,589</b>
<b>Equity</b>			
Equity attributable to equity holders of the Parent Company:			
Capital stock (Note 23)	2,235,390,633	2,235,390,633	2,235,390,633
Cumulative net unrealized gain on changes in fair value of available-for-sale investments (Note 10)	687,843,604	1,083,273,387	558,384,899
Remeasurement losses on retirement plan (Note 2)	807,770	1,469,839	643,145
Retained earnings	3,949,471,894	3,354,110,020	2,805,604,907
Treasury stock (Note 23)	(190,460,934)	(188,520,838)	(188,520,838)
	6,683,052,967	6,485,723,041	5,411,502,746
Non-controlling interests	189,511,959	154,833,432	130,173,659
<b>Total Equity</b>	<b>6,872,564,926</b>	<b>6,640,556,473</b>	<b>5,541,676,405</b>
	<b>P7,451,040,512</b>	<b>P7,831,902,974</b>	<b>P5,848,282,994</b>

See accompanying Notes to Consolidated Financial Statements.

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

	<b>Years Ended December 31</b>		
	<b>2013</b>	2012 (As restated - Note 2)	2011 (As restated - Note 2)
<b>REVENUES</b> (Note 17)	<b>₱1,187,739,211</b>	₱1,058,951,254	₱1,048,993,667
<b>COST OF SERVICES AND SALES</b> (Note 18)	<b>(59,041,031)</b>	(33,101,163)	(37,585,959)
<b>GROSS INCOME</b>	<b>1,128,698,180</b>	1,025,850,091	1,011,407,708
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 19)	<b>(457,409,918)</b>	(450,476,767)	(475,201,601)
<b>INTEREST EXPENSE AND BANK CHARGES</b> (Note 16)	<b>(29,005,582)</b>	(10,688,211)	(2,569,793)
<b>GAIN ON SALE OF INVESTMENT IN A JOINT VENTURE</b> (Note 12)	-	2,718,197	-
<b>EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND A JOINT VENTURE</b> (Note 12)	-	(56,749)	1,149,083
<b>OTHER INCOME</b> (Note 20)	<b>58,867,548</b>	43,414,396	25,344,520
<b>INCOME BEFORE INCOME TAX</b>	<b>701,150,228</b>	610,760,957	560,129,917
<b>PROVISION FOR INCOME TAX</b> (Note 25)			
Current	<b>66,058,107</b>	38,757,860	33,396,329
Final	<b>4,189,880</b>	4,535,394	2,189,811
Deferred	<b>777,964</b>	(1,778,694)	(4,511,263)
	<b>71,025,951</b>	41,514,560	31,074,877
<b>NET INCOME</b>	<b>₱630,124,277</b>	₱569,246,397	₱529,055,040
Attributable to:			
Equity holders of the Parent Company (Note 27)	<b>₱595,361,874</b>	₱548,505,113	₱513,992,248
Non-controlling interests	<b>34,762,403</b>	20,741,284	15,062,792
	<b>₱630,124,277</b>	₱569,246,397	₱529,055,040
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company</b> (Note 27)	<b>₱0.2835</b>	₱0.2611	₱0.2447

*See accompanying Notes to Consolidated Financial Statements.*



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

	<b>Years Ended December 31</b>		
	<b>2013</b>	2012 (As restated - Note 2)	2011 (As restated - Note 2)
<b>NET INCOME</b>	<b>₱630,124,277</b>	₱569,246,397	₱529,055,040
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item that recycle to profit or loss in subsequent periods:</i>			
Net changes in fair value of available-for-sale investments (Note 10)	<b>(395,568,720)</b>	524,300,816	(28,000,519)
Income tax effect	<b>138,937</b>	587,672	166,207,844
<i>Item that do not recycle to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan, net of tax (Note 22)	<b>(745,945)</b>	839,592	723,113
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱233,948,549</b>	₱1,094,974,477	₱667,985,478
Attributable to:			
Equity holders of the Parent Company	<b>₱199,270,022</b>	₱1,074,220,295	₱652,842,718
Non-controlling interests	<b>34,678,527</b>	20,754,182	15,142,760
	<b>₱233,948,549</b>	₱1,094,974,477	₱667,985,478

*See accompanying Notes to Consolidated Financial Statements*



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

Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 23)	Available-for-Sale Investments (Note 10)	Value of Remeasurement Gains (Losses) on Retirement Plan (Note 2)	Retained Earnings	Treasury Stock (Note 23)	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2013, as previously reported	₱2,235,390,633	₱1,083,273,387	₱-	₱3,347,493,258	(₱188,520,838)	₱6,477,636,440	₱154,618,257	₱6,632,254,697
Effect of retrospective application of PAS 19 (Revised) (Note 2)	-	-	1,469,839	6,616,762	-	8,086,601	215,175	8,301,776
Balance at January 1, 2013, as restated	2,235,390,633	1,083,273,387	1,469,839	3,354,110,020	(188,520,838)	6,485,723,041	154,833,432	6,640,556,473
Total comprehensive income for the year	-	(395,429,783)	(662,069)	595,361,874	-	199,270,022	34,678,527	233,948,549
Acquisition of treasury stock	-	-	-	-	(1,940,096)	(1,940,096)	-	(1,940,096)
<b>Balance at December 31, 2013</b>	<b>₱2,235,390,633</b>	<b>₱687,843,604</b>	<b>₱807,770</b>	<b>₱3,949,471,894</b>	<b>(₱190,460,934)</b>	<b>₱6,683,052,967</b>	<b>₱189,511,959</b>	<b>₱6,872,564,926</b>
Balance at January 1, 2012, as previously reported	₱2,235,390,633	₱558,384,899	₱-	₱2,798,177,641	(₱188,520,838)	₱5,403,432,335	₱129,935,635	₱5,533,367,970
Effect of retrospective application of PAS 19 (Revised) (Note 2)	-	-	643,145	7,427,266	-	8,070,411	238,024	8,308,435
Balance at January 1, 2012, as restated	2,235,390,633	558,384,899	643,145	2,805,604,907	(188,520,838)	5,411,502,746	130,173,659	5,541,676,405
Additional non-controlling interests in subsidiaries	-	-	-	-	-	-	3,905,591	3,905,591
Total comprehensive income for the year	-	524,888,488	826,694	548,505,113	-	1,074,220,295	20,754,182	1,094,974,477
Balance at December 31, 2012	₱2,235,390,633	₱1,083,273,387	₱1,469,839	₱3,354,110,020	(₱188,520,838)	₱6,485,723,041	₱154,833,432	₱6,640,556,473
Balance at January 1, 2011, as previously reported	₱2,235,390,633	₱420,177,574	₱-	₱2,283,472,084	(₱188,520,838)	₱4,750,519,453	₱114,817,421	₱4,865,336,874
Effect of retrospective application of PAS 19 (Revised) (Note 2)	-	-	-	8,140,575	-	8,140,575	213,478	8,354,053
Balance at January 1, 2011, as restated	2,235,390,633	420,177,574	-	2,291,612,659	(188,520,838)	4,758,660,028	115,030,899	4,873,690,927
Total comprehensive income for the year	-	138,207,325	643,145	513,992,248	-	652,842,718	15,142,760	667,985,478
Balance at December 31, 2011	₱2,235,390,633	₱558,384,899	₱643,145	₱2,805,604,907	(₱188,520,838)	₱5,411,502,746	₱130,173,659	₱5,541,676,405

See accompanying Notes to Consolidated Financial Statements



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

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱701,150,228	₱610,760,957	₱560,129,917
Adjustments for:			
Trading and investment securities gains - net (Note 17)	(328,725,931)	(333,219,247)	(329,626,095)
Interest income (Note 17)	(126,828,883)	(131,960,951)	(125,477,127)
Dividend income (Note 17)	(33,743,756)	(37,039,014)	(35,610,251)
Depreciation and amortization (Notes 13 and 14)	18,986,137	17,280,522	22,852,071
Provision for credit and impairment losses (Note 19)	1,258,996	3,722,092	13,836,393
Unrealized foreign exchange loss (gain)	(6,397,232)	10,327,631	756,336
Recovery of allowance for credit losses (Note 8)	(451,878)	(10,215,789)	(2,172,113)
Interest expense and bank charges	29,005,582	10,688,211	2,569,793
Gain on sale of property and equipment (Note 20)	(27,991,661)	(59,521)	(21,070)
Gain on sale of investment in a joint venture (Note 12)	-	(2,718,197)	-
Equity in net losses (earnings) of an associate and joint venture (Note 12)	-	56,749	(1,149,083)
Reversal of asset retirement obligation (Note 20)	-	-	(4,145,582)
Operating income before working capital changes	226,261,602	137,623,443	101,943,189
Decrease (increase) in:			
Loans and receivables	(152,143,763)	(76,708,080)	(109,440,407)
Financial assets at fair value through profit or loss	326,224,219	(360,079,429)	25,553,598
Prepaid expenses and other current assets	4,349,567	(4,105,104)	11,909,064
Retirement asset (Note 22)	1,569,929	1,497,425	1,227,900
Increase in Accounts payable and other current liabilities	236,889,357	9,816,503	72,656,716
Net cash generated from (used in) operations	643,150,911	(291,955,242)	103,850,060
Interest received	143,543,211	127,092,264	110,577,878
Income tax paid	(43,192,463)	(34,349,186)	(65,345,603)
Net cash provided by (used in) operating activities	743,501,659	(199,212,164)	149,082,335
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Available-for-sale investments	4,569,760,320	5,965,255,706	5,983,126,972
Investment in joint venture (Note 12)	-	7,500,000	-
Property and equipment	42,070,448	329,155	401,200
Proceeds from pre-termination of unquoted debt securities (Note 8)	150,000,000	-	-
Acquisitions of:			
Available-for-sale investments	(4,468,842,308)	(5,676,447,430)	(6,085,290,870)
Unquoted debt securities	-	(150,000,000)	(296,979,500)
Property and equipment (Note 13)	(23,164,308)	(19,088,603)	(15,865,651)
Dividends received (Note 17)	33,743,756	37,039,014	35,610,251
Increase in other noncurrent assets	(2,920,367)	(2,288,174)	(2,535,556)
Net cash provided by (used in) investing activities	300,647,541	162,299,668	(381,533,154)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Notes payable (Note 16)	(2,075,885,500)	-	-
Interest and bank charges	(29,005,582)	(10,688,211)	(2,569,793)
Long-term debt	-	-	(2,925,490)
Proceeds from notes payable	1,201,110,000	874,775,500	-
Additional non-controlling interest in a subsidiary (Note 2)	-	3,905,591	-
Acquisition of treasury shares (Note 23)	(1,940,096)	-	-
Net cash provided by (used in) financing activities	(905,721,178)	867,992,880	(5,495,283)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	785,274	(2,350,578)	(18,751)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>139,213,296</b>	<b>828,729,806</b>	<b>(237,964,853)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,369,141,777</b>	<b>540,411,971</b>	<b>778,376,824</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱1,508,355,073</b>	<b>₱1,369,141,777</b>	<b>₱540,411,971</b>

See accompanying Notes to Consolidated Financial Statements.





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

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**1. General Information**

Corporate Information

Vantage Equities, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 1992. The primary business of the Parent Company is to invest, to hold and to use for investment shares of capital stock, bonds, debentures, promissory notes, or other securities or obligations created, negotiated or issued by any corporation, association or other entities.

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

The registered office address of the Parent Company is 2004A East Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

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

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

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 include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the “Group”):

<u>Name of Subsidiaries</u>	<u>Place of Incorporation</u>	<u>Percentage of Ownership</u>
e-Business Services, Inc. (e-Business)	Philippines	100.00
eBIZ Financial Services, Inc. (eBIZ Financial)*	Philippines	100.00
iCurrencies, Inc. (iCurrencies)	Philippines	100.00
Philequity Balanced Fund, Inc. (PBF)	Philippines	100.00
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)	Philippines	100.00
Philequity Dividend Yield Fund, Inc. (PDYF)	Philippines	100.00
Yehey! Corporation (Yehey!)	Philippines	66.95
Philequity Management, Inc. (PEMI)	Philippines	51.00

*\*Indirectly owned through e-Business*

The Parent Company is the ultimate parent of the Group.

In 2012, the Parent Company sold 3.89 million shares of Yehey! in the amount of ₱3.91 million. As a result of the sale, the Parent Company’s percentage of ownership in Yehey! decreased from 68.35% to 66.95% and non-controlling interest increased by ₱3.91 million. As of December 31, 2013 and 2012, there is no change in the percentage of ownership of the Parent Company.

### e-Business

e-Business is incorporated in the Philippines and is engaged in the fund transfer and remittance services, both domestic and abroad, of any form or kind of currencies or monies, as well as in conducting money exchange transactions as may be allowed by law and other allied activities relative thereto. e-Business has an existing Representation Agreement (Agreement) with Western Union Financial Services, Inc. (Western Union) covering its fund transfer and remittance services for a period of seven years from September 1, 2007 to August 31, 2014 and was extended for another ten year period from December 20, 2012 to December 20, 2022. e-Business receives remuneration for the services provided to Western Union in accordance with the terms stipulated in the Agreement.

### eBiz Financial

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

### iCurrencies

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

In May 2001, iCurrencies effectively ceased 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 ₱50.00 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 ceased its business of buying and selling foreign currencies.

In the meantime, iCurrencies income is derived from interest income on its bank deposits and short term deposits.

PBF

PBF was incorporated in the Philippines, and was registered with the SEC on May 6, 2008 under the Philippine Investment Company Act (ICA) (Republic Act 2629) as an open-end mutual fund company. PBF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of December 31, 2013, PBF has not yet launched its capital shares to the public. The initial investment amounted to ₱25.00 million.

PFCFF

PFCFF was incorporated in the Philippines, and was registered with the SEC on April 10, 2008 under the Philippine ICA as an open-end mutual fund company. PFCFF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of December 31, 2013, PFCFF has not yet launched its capital shares to the public. The initial investment amounted to ₱25.00 million.

PDYF

PDYF was incorporated in the Philippines, and was registered with the SEC on August 2, 2012 under Philippine ICA as an open-end mutual fund company. PDYF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of equity securities. As of December 31, 2013, PDYF has not yet launched its capital shares to the public. The initial investment amounted to ₱50.00 million.

Yehey!

Yehey! was incorporated in the Philippines and registered with the SEC on June 10, 1998. Yehey! is engaged in the business of internet online related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites. It is also engaged in pre-production and post-production work on web sites in the internet and sell and market said products in the form of advertising of finished products in the domestic or export market.

PEMI

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

The financial statements of the subsidiaries are prepared based on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income, expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.



Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other voting shareholders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

#### 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 and 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 equity attributable to the Parent Company. 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 are accounted for as equity transactions, whereby the difference between the consideration paid and the share in the net assets acquired is recognized in equity.



### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2013.

Except as otherwise indicated, the following new and amended standards and interpretations do not have any impact on the accounting policies, financial position or performance of the Group:

#### *New and Amended Standards and Interpretations*

- Philippine Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
- PFRS 11, *Joint Arrangements*

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

#### *PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

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

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



The amendments affect disclosures only and have no impact on the Group's financial position or performance. The Group does not have financial instruments that are set-off in accordance with PAS 32 or that are subject to an enforceable master netting arrangement or similar agreement. However, these amendments would be considered for future transactions.

*PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) No. 12, *Consolidation – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27. This standard does not have significant impact on the financial position or performance of the Group. Refer to Note 3 for the significant judgment made by management in identifying entities for consolidation.

*PFRS 12, Disclosure of Interests in Other Entities*

This standard sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). Disclosures are provided in Note 12.

*PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. Its disclosure requirements need not be applied to comparative information provided for periods before initial application of PFRS 13.

Application of PFRS 13 has no material impact on the fair value measurements of the Group. Fair value hierarchy disclosures are provided in Note 5.

*PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*

Amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

*PAS 19, Employee Benefits (Revised)*

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The adoption of PAS 19 (Revised), which require retrospective application, resulted in the restatement of previously reported retirement obligation of the Group. The adjustment amounts



were determined by the Group with the assistance of an external actuary. The Group will retain the remeasurements recognized in OCI and will not transfer these to other items in equity. The effects of adoption on the consolidated financial statements are as follows:

	December 31, 2012		
	As previously reported	Effect of retroactive application of PAS 19(Revised)	As restated
<b>Consolidated Statement of Financial Position</b>			
<b>Liabilities</b>			
Retirement liabilities (asset)	₱7,371,013	(₱11,528,390)	(₱4,157,377)
Deferred tax liabilities	415,620	3,226,615	3,642,235
<b>Equity</b>			
Remeasurement gains on retirement plan	-	1,469,843	1,469,839
Retained earnings	3,347,493,258	6,616,762	3,354,110,020
Non-controlling interests	154,618,257	215,175	154,833,432
2012			
<b>Consolidated Statement of Income</b>			
Retirement expense	₱340,387	₱1,157,039	₱1,497,426
<b>Consolidated Statement of Comprehensive Income</b>			
Net remeasurement losses on retirement plan	-	826,697	826,697
January 1, 2012			
	As previously reported	Effect of retroactive application of PAS 19R	As restated
<b>Consolidated Statement of Financial Position</b>			
<b>Liabilities</b>			
Retirement liabilities (asset)	₱7,030,626	(₱11,447,091)	(₱4,416,459)
<b>Equity</b>			
Remeasurement gains on retirement plan	-	643,145	643,145
Retained earnings	2,798,177,641	7,427,266	2,805,604,907
Non-controlling interests	129,935,635	238,024	130,173,659

As at and for the year ended December 31, 2013, the effect of the application of PAS 19 (Revised) resulted in a decrease in retirement asset of ₱2.01 million, a decrease of ₱0.53 in retirement liability, a decrease of ₱0.57 million in remeasurement gains on retirement plan and an increase of ₱1.46 million in 'Retirement expense'.

#### *Change of Presentation*

The following comparative accounts in the 2012 and 2011 consolidated financial statements were reclassified to conform to the 2013 presentation, which takes into account the fundamental nature and significance of the transactions as well as the general financial statement presentation.

	2012		
	As previously reported	Prior-period adjustments	As restated
<b>Consolidated Statement of Income</b>			
<b>Cost of Services and Sales</b>			
Service and commission fees	₱-	₱7,829,738	₱7,829,738
<b>General and Administrative Expenses</b>			
Legal and professional fees	51,558,150	(7,829,738)	43,728,412



	2011		As restated
	As previously reported	Prior-period adjustments	
<b>Consolidated Statement of Income</b>			
<b>Cost of Services and Sales</b>			
Service and commission fees	₱-	₱14,355,000	₱14,355,000
<b>General and Administrative Expenses</b>			
Legal and professional fees	22,063,160	(14,355,000)	7,708,160

In 2013, the presentation of ‘Service fees’ which pertain to consultancy fees and commissions paid to agents for the subscription of shares of the mutual funds being managed by PEMI is now under ‘Cost of services and sales’. In prior years, these were previously presented as part of legal and professional fees under ‘General and administrative expenses’.

The change in presentation did not have an impact on the consolidated statements of financial position and to the net income.

### Significant Accounting Policies

#### Cash and Cash Equivalents

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

#### Foreign Currency Transactions

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

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.





The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

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

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of equity and debt financial instruments that require delivery within the time frame established by regulation or convention in the market place are recognized on the trade date and settlement date, respectively. Deposits, loans and receivables, and accounts payable are recognized when cash is received by the Group or advanced to the borrowers.

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

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as either 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, 2013 and 2012, the Group does not have HTM investments.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an 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 consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.



*Financial instruments at FVPL*

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

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

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

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

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

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

*Derivatives classified as FVPL*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the profit or loss in the consolidated statement of comprehensive income under 'Trading and investment securities gains - net'.

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

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



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

#### *Loans and receivables*

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

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

#### *AFS investments*

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

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

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

#### *Accounts payable and other current liabilities*

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Accounts payable and other current liabilities', or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the 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 cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

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

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

#### 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*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 consolidated 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 'Provision for credit and impairment losses' in the consolidated statement of income.

If the Group determines that no objective evidence of impairment exists for an 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 such 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 as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.



### *AFS investments*

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

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

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

### Investments in an Associate and a Joint Venture

#### *Investment in an associate*

Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investments in associates are 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 in the net assets of the associate, less any allowance for impairment losses. 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 investment. 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 the associate are eliminated to the extent of the interest in the associate.

#### *Investment in a joint venture*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.



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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The financial statements of the associate and joint venture are prepared for the same reporting period as the Group, using consistent accounting policies. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investments at its fair value. Any difference between the current amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization 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 expense 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.

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

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

The useful lives, residual values, and depreciation and amortization method are reviewed periodically to ensure that the periods, residual values, and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged to the 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 the 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 Website and Investments in Associate and a Joint Venture

The Group assesses at each reporting date whether there is an indication that a nonfinancial 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 assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired asset.

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

#### Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer’s previously-held interest, if any, over the fair value of the net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the investment in PEMI, cash-generating unit to which the goodwill relates. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the investment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects management’s estimate of the risks specific to the investment.





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

The Group performs its annual impairment test of goodwill at the consolidated statement of financial position date.

#### 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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sale taxes or duties.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Trading and investment securities gains - net*

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

#### *Interest income*

Interest income on interest-bearing placements is recorded on a time proportion basis taking into account the effective yield of the asset. Interest on financial instruments is recognized based on the effective interest method of accounting.

#### *Dividend income*

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

#### *Service income/Commission income*

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

#### *Money transfer service income*

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

#### *Share in foreign exchange differential*

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

#### *Money changing gain*

Money changing gain is related to the Group's retail foreign exchange operations in the branches. Income from money changing is recognized when the money exchange service has been rendered.



*Web development and production*

Revenue is recognized based on percentage completion method. The stage of completion is assessed by reference to the stage of completion of the development, including completion of services provided for post-delivery service support.

*Media Sales, Portal and E-Commerce Revenues*

Revenue is recognized at the time that services are rendered.

*Digital Public Relations (PR), Digital Strategy Revenues*

Revenue is recognized proportionately based on the tenor of project.

*Income from business partners*

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

Expense Recognition

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

*Cost of services and sales*

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

*General and administrative expenses*

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

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense which the Group incurs in connection with borrowing of funds. Borrowing costs are calculated using the effective interest method in accordance with PAS 39.

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 reassessment 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 reassessment 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 lessor*

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

*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 a funded, noncontributory defined benefit retirement plan and the Parent Company and Yehey! have unfunded, noncontributory defined benefit retirement plans covering substantially all of their regular employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise of the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market



price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when only when reimbursement is virtually certain.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### 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 liability method, on all temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) 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. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of MCIT and NOLCO to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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 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. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.



### Equity

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

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

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

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

### Basic/Diluted Earnings Per Share

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

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of December 31, 2013 and 2012, the Parent Company does not have dilutive potential common shares.

### Provisions

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

### Contingent Liabilities and Contingent Assets

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

### Events After the Reporting Period

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



#### Dividends on Common Shares

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

#### Segment Reporting

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

#### Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to, except as otherwise indicated, have an impact on disclosures in the Group's financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

#### *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Group's financial position or performance.

#### *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

#### *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment will not impact the financial position or performance of the Group.

#### *Philippine Interpretation 21, Levies (Philippine Interpretation 21)*

Philippine Interpretation 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is



triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Philippine Interpretation 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that Philippine Interpretation 21 will have material financial impact in future financial statements.

*PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. These amendments would be considered for future novations.

*PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group as it does not have contributions from employees or third parties to defined benefit plans.

*PFRS 9, Financial Instruments*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39, *Financial Instruments: Recognition and Measurement* in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward



contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date and may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

*Philippine Interpretation 15, Agreement for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

*Annual Improvements to PFRSs (2010-2012 cycle)*

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs as follow:

*PFRS 2, Share-based Payment - Definition of Vesting Condition*

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

*PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group does not expect that this amendment will have material financial impact in future financial statements.

*PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.





*PFRS 13, Fair Value Measurement - Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

*PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The Group does not expect that this amendment will have material financial impact in future financial statements.

*PAS 24, Related Party Disclosures - Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.



*Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

*PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

*PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

*PFRS 13, Fair Value Measurement - Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

*PAS 40, Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

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### 3. Significant Accounting Judgments, Estimates and Assumptions

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

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



### Judgments

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

- a) *Determination of functional currency*  
Each entity in the Group has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which each entity operates and the currency that mainly influences the income and expenses.
- b) *Operating lease commitments - Group as a lessee*  
The Group has entered into lease contracts for some of its office spaces and branches. The Group has determined that it has not acquired all the significant risks and rewards of ownership of the leased properties because of the following factors: (a) the Group will not acquire the ownership of the leased asset upon termination of the lease; (b) the Group has no option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option; and (c) the lease term is only for a period of one year, renewable annually. Accordingly, the Group accounts for the leases as operating leases.
- c) *Assessment of control over investees*  
The determination on whether the Parent Company has control over the investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee; (b) exposure, or right, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Parent Company has power over the investee, the Parent Company assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.
- d) *Joint arrangements*  
The Parent Company has investments in joint arrangements. The Parent Company has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreement for all relevant activities.
- e) *Fair value of financial instruments*  
Where the fair values of financial assets and financial liabilities recognized or disclosed in the consolidated financial statements cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and identification of comparable investments and applicable credit spreads to arrive at adjusted quoted market prices.  
  
The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in more detail in Note 5.
- f) *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.



g) *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.

h) *Revenue and cost recognition*

Selecting an appropriate revenue recognition method requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment: In determining whether the sales price are collectible, the Group considers the initial and continuing investments by the buyer to demonstrate the buyer's commitment to pay; and
- stage of completion of the project: The Group recognizes only revenue from projects that are substantially complete.

The Group's revenue from and cost from web development services are recognized based on the percentage-of-completion method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project.

Estimates

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

a) *Fair value of financial instruments*

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

As of December 31, 2013 and 2012, the fair values of financial assets and financial liabilities are disclosed in Note 5.

b) *Estimation of allowance for credit losses*

The Group maintains an allowance for credit losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are



not limited to, the length of the Group's relationship with the customers, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using specific assessment and collective approaches. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

As of December 31, 2013 and 2012, the carrying value of receivables and the related allowance for credit losses are disclosed in Note 8.

c) *Impairment of AFS investments*

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease of more than 20.00% of the original cost of investment, and 'prolonged' as longer than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price for quoted equity securities and future cash flows and discount factors for unquoted equity securities.

The Group treats AFS debt investments as impaired when an objective evidence of impairment exists. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

As of December 31, 2013 and 2012, the carrying values of AFS investments are disclosed in Note 10. The Group recognized impairment losses amounting to ₱0.24 million on unquoted AFS equity investments in 2013 and 2012.

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

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

There is no change in the estimated useful lives of property and equipment, software and website costs during the year. As of December 31, 2013 and 2012, the carrying values of property and equipment, and software and website costs are disclosed in Note 13 and Note 14, respectively.

e) *Impairment of nonfinancial assets (except goodwill)*

PAS 36 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. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

As of December 31, 2013 and 2012, the Group's property and equipment and software do not have any indication of impairment.

Fifth Agency Unified Services, Inc. (FAUSI), an associate, stopped its normal operations in 2008. FAUSI suffered consecutive years of losses which the management believes may lead to non-recovery of the Group's investment. As of December 31, 2013 and 2012, the Group's allowance for impairment on its investment in FAUSI and the carrying values of the investment in FAUSI as of December 31, 2013 and 2012 are also disclosed in Note 12.

f) *Estimation of retirement costs*

The determination of the Group's retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 22 and include, among others, discount rates, rates of future salary increase and average remaining working lives of employees. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The retirement costs included under general and administrative expenses and the present values of defined benefit obligation are disclosed in Note 22.

g) *Recognition of deferred tax assets*

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

As of December 31, 2013 and 2012, recognized deferred tax assets and liabilities on temporary differences recognized in the consolidated statements of financial position as of December 31, 2013 and 2012 are disclosed in Note 25.

h) *Estimation of legal contingencies*

The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon thorough analysis of potential results. Based on the management's assessment, there are no legal claims that require recognition in the Group's consolidated financial statements as of December 31, 2013 (Note 28).



#### 4. Financial Risk Management Objectives and Policies

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

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

##### Credit Risk

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

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

As of December 31, 2013 and 2012, the Group's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

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

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

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

	2013					Subtotal	Impaired	Total
	Neither Past Due nor Impaired	Past Due but not Impaired						
		91-120 Days	121-150 Days	151-180 180 Days	Over 180 Days			
Due from:								
Western Union	P674,910,014	P-	P-	P-	P-	P674,910,014	P-	P674,910,014
Broker	45,703,668	-	-	-	-	45,703,668	-	45,703,668
Sub-agents	14,600,000	-	-	-	-	14,600,000	-	14,600,000
Business partners	3,592,463	-	-	-	-	3,592,463	-	3,592,463
Advances	252,020,510	-	-	-	-	252,020,510	-	252,020,510
Receivable from advertising and web development services	5,264,656	1,283,280	174,480	3,779,478	-	10,501,894	29,730,572	40,232,466
Trade receivable	15,140,286	-	-	-	-	15,140,286	6,322,878	21,463,164
Accrued interest receivable	22,161,083	-	-	-	-	22,161,083	50,667	22,211,750
Receivable from related parties and employees	2,013,045	-	-	-	-	2,013,045	1,295,924	3,308,969
Others* (Note 26)	9,351,374	-	-	-	-	9,351,374	4,001,689	13,353,063
	<b>P1,044,757,099</b>	<b>P1,283,280</b>	<b>P174,480</b>	<b>P3,779,478</b>	<b>P-</b>	<b>P1,049,994,337</b>	<b>P41,401,730</b>	<b>P1,091,396,067</b>

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



	Neither Past Due nor Impaired	Past Due but not Impaired				Subtotal	Impaired	Total
		91-120 Days	121-150 Days	151-180 180 Days	Over 180 Days			
Due from:								
Western Union	₱456,748,895	₱-	₱-	₱-	₱-	₱456,748,895	₱-	₱456,748,895
Broker	30,003,989	-	-	-	-	30,003,989	-	30,003,989
Sub-agents	15,174,922	-	-	-	-	15,174,922	-	15,174,922
Business partners	5,615,263	-	-	-	-	5,615,263	-	5,615,263
Unquoted debt securities	480,565,787	-	-	-	-	480,565,787	-	480,565,787
Receivable from advertising and web development services	11,108,576	1,172,232	35,964	3,547,499	-	15,864,271	26,664,748	42,529,019
Accrued interest receivable	38,875,411	-	-	-	-	38,875,411	50,667	38,926,078
Trade receivable	11,188,199	-	-	-	-	11,188,199	580,889	11,769,088
Receivable from related parties and employees	2,133,139	-	-	-	-	2,133,139	1,295,924	3,429,063
Others* (Note 26)	6,639,172	-	-	-	-	6,639,172	14,565,356	21,204,528
	<b>₱1,058,053,353</b>	<b>₱1,172,232</b>	<b>₱35,964</b>	<b>₱3,547,499</b>	<b>₱-</b>	<b>1,062,809,048</b>	<b>₱43,157,584</b>	<b>₱1,105,966,632</b>

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

Past due or impaired receivables pertain to those receivables which are already outstanding beyond their normal credit terms, a portion of which were already provided with allowance. For those past due receivables without an allowance, the Group assessed these as still collectible with continuous effort to follow-up collection of these receivables from counterparties.

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

	2013			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	<b>₱1,320,717,594</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,320,717,594</b>
Loans and receivables:				
Due from:				
Western Union	<b>674,910,014</b>	-	-	<b>674,910,014</b>
Broker	<b>45,703,668</b>	-	-	<b>45,703,668</b>
Sub-agents	<b>14,600,000</b>	-	-	<b>14,600,000</b>
Business partners	-	<b>3,592,463</b>	-	<b>3,592,463</b>
Advances	-	<b>252,020,510</b>	-	<b>252,020,510</b>
Receivable from advertising and web development services	<b>250,915</b>	<b>3,166,501</b>	<b>1,847,240</b>	<b>5,264,656</b>
Trade receivable	<b>15,140,286</b>	-	-	<b>15,140,286</b>
Accrued interest receivable	<b>22,161,083</b>	-	-	<b>22,161,083</b>
Receivable from related parties and employees	<b>2,013,045</b>	-	-	<b>2,013,045</b>
Others** (Note 26)	-	<b>9,351,374</b>	-	<b>9,351,374</b>
AFS investments:				
Quoted:				
Equity securities	<b>1,302,483,827</b>	-	-	<b>1,302,483,827</b>
Government bonds	<b>1,534,663,058</b>	-	-	<b>1,534,663,058</b>
Corporate bonds	<b>257,981,141</b>	-	-	<b>257,981,141</b>
Unquoted:				
Equity securities (forward)	<b>239,312</b>	-	-	<b>239,312</b>
Mutual funds	<b>1,597,680,533</b>	-	-	<b>1,597,680,533</b>
Golf shares	<b>570,000</b>	-	-	<b>570,000</b>
Financial assets at FVPL:				
Government bonds	<b>122,477,283</b>	-	-	<b>122,477,283</b>
Derivative assets	<b>3,340,300</b>	-	-	<b>3,340,300</b>
Deposits (included in "Other noncurrent assets")	<b>22,423,245</b>	-	-	<b>22,423,245</b>
	<b>₱6,937,355,304</b>	<b>₱268,130,848</b>	<b>₱1,847,240</b>	<b>₱7,207,333,392</b>

\*Excluding cash on hand.

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





	2012			Total
	Grade A	Grade B	Grade C	
Cash and cash equivalents*	₱1,167,218,612	₱-	₱-	₱1,167,218,612
Loans and receivables:				
Due from:				
Western Union	456,748,895	-	-	456,748,895
Broker	30,003,989	-	-	30,003,989
Sub-agents	15,174,922	-	-	15,174,922
Business partners	-	5,615,263	-	5,615,263
Unquoted debt securities	480,565,787	-	-	480,565,787
Receivable from advertising and web development services	1,954,659	5,780,789	3,373,128	11,108,576
Accrued interest receivable	38,875,411	-	-	38,875,411
Trade receivable	11,188,199	-	-	11,188,199
Receivable from related parties and employees	2,133,139	-	-	2,133,139
Others** (Note 26)	-	6,639,172	-	6,639,172
AFS investments:				
Quoted:				
Equity securities	1,666,255,287	-	-	1,666,255,287
Government bonds	1,355,540,891	-	-	1,355,540,891
Corporate bonds	77,819,199	-	-	77,819,199
Unquoted:				
Corporate bonds	172,424,074	-	-	172,424,074
Equity securities	239,312	-	-	239,312
Mutual funds	1,583,970,477	-	-	1,583,970,477
Golf shares	570,000	-	-	570,000
Financial assets at FVPL:				
Government bonds	385,781,634	-	-	385,781,634
Corporate bond	61,575,000	-	-	61,575,000
Derivative assets	2,801,400	-	-	2,801,400
Deposits (included in "Other noncurrent assets")	20,729,593	-	-	20,729,593
	₱7,531,570,480	₱18,035,224	₱3,373,128	₱7,552,978,832

\*Excluding cash on hand.

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

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

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

### Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressful 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 investments. These placements are maintained to meet maturing obligations.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date



or if earlier, the expected date the assets will be realized.

	2013					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	₱392,467,467	₱1,120,477,549	₱-	₱-	₱-	₱1,512,945,016
Loans and receivables:						
Due from:						
Western Union	674,910,014	-	-	-	-	674,910,014
Broker	-	45,703,668	-	-	-	45,703,668
Sub-agents	14,600,000	-	-	-	-	14,600,000
Business partners	3,592,463	-	-	-	-	3,592,463
Advances	-	-	252,020,510	-	-	252,020,510
Receivable from advertising and web development services	5,264,656	1,283,280	3,953,958	29,730,572	-	40,232,466
Trade receivable	15,140,286	-	-	6,322,878	-	21,463,164
Accrued interest receivable	95,224	18,897,433	3,219,093	-	-	22,211,750
Receivable from related parties and employees	2,013,045	-	-	-	-	2,013,045
Others	7,506,117	1,845,257	-	4,001,689	-	13,353,063
Financial assets at FVPL:						
Government bonds	-	568,889	4,748,194	27,750,000	190,921,875	223,988,958
Derivative assets	-	3,340,300	-	-	-	3,340,300
AFS investments:						
Quoted:						
Equity securities	-	1,302,483,827	-	-	-	1,302,483,827
Government bonds	-	9,598,847	60,225,797	350,990,000	2,667,630,000	3,088,444,644
Corporate bonds	-	774,486	34,036,811	137,455,397	159,288,886	331,555,580
Unquoted:						
Equity securities	-	239,312	-	-	-	239,312
Mutual funds	1,597,680,533	-	-	-	-	1,597,680,533
Golf Shares	-	570,000	-	-	-	570,000
Other noncurrent assets:						
Deposits	-	-	-	22,423,245	-	22,423,245
	<b>₱2,713,269,805</b>	<b>₱2,505,782,848</b>	<b>₱358,204,363</b>	<b>₱578,673,781</b>	<b>₱3,017,840,761</b>	<b>₱9,173,771,558</b>
<b>Financial Liabilities</b>						
Accounts payable and other liabilities:						
Due to sub-agents and brokers	₱-	₱418,121,562	₱-	₱-	₱-	₱418,121,562
Accrued expenses	1,599,060	858,446	48,677,138	-	-	51,134,644
Trade payable	44,677,203	-	-	-	-	44,677,203
Others	-	17,070,813	-	-	-	17,070,813
Financial liabilities at FVPL:						
Derivative liability	-	2,649,000	-	-	-	2,649,000
	<b>₱46,276,263</b>	<b>₱438,699,821</b>	<b>₱48,677,138</b>	<b>₱-</b>	<b>₱-</b>	<b>₱533,653,222</b>

	2012					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	₱341,781,632	₱1,027,360,145	₱-	₱-	₱-	₱1,369,141,777
Loans and receivables:						
Due from:						
Western Union	-	456,748,895	-	-	-	456,748,895
Broker	-	30,003,989	-	-	-	30,003,989
Sub-agents	-	574,922	-	14,600,000	-	15,174,922
Business partners	5,615,263	-	-	-	-	5,615,263
Unquoted debt securities	-	5,401,988	331,023,243	150,000,000	-	486,425,231
Receivable from advertising and web development services	15,864,271	-	-	-	-	15,864,271
Accrued interest receivable	35,265	31,613,742	6,777,420	448,984	-	38,875,411
Trade receivable	11,188,199	-	-	580,889	-	11,769,088
Receivable from related parties and employees	2,133,139	-	-	-	-	2,133,139
Others	6,639,172	-	-	-	-	6,639,172
Financial assets at FVPL:						
Government bonds	-	-	10,710,000	11,305,333	385,781,634	407,796,967
Corporate bonds	-	62,890,550	-	-	-	62,890,550
Derivative assets	-	2,801,400	-	-	-	2,801,400
AFS Investments						
Quoted:						
Equity securities	-	1,666,255,287	-	-	-	1,666,255,287



	2012					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Government bonds	-	4,539,377	55,900,502	351,776,825	2,293,208,595	2,705,425,299
Corporate bonds	-	-	-	68,344,202	66,054,362	134,398,564
Unquoted:						
Equity securities	-	239,312	-	-	-	239,312
Corporate bonds	-	-	-	95,198,204	77,225,870	172,424,074
Mutual funds	1,583,970,477	-	-	-	-	1,583,970,477
Golf Shares	-	570,000	-	-	-	570,000
Other noncurrent assets:						
Deposits	-	-	-	20,729,593	-	20,729,593
	<b>₱1,967,227,418</b>	<b>₱3,288,999,607</b>	<b>₱404,411,165</b>	<b>₱712,984,030</b>	<b>₱2,822,270,461</b>	<b>₱9,195,892,681</b>
<b>Financial Liabilities</b>						
Accounts payable and other liabilities:						
Due to sub-agents and brokers	₱-	₱196,929,646	₱-	₱-	₱-	₱196,929,646
Accrued expenses	-	16,596,212	34,938,349	-	-	51,534,561
Trade payable	24,695,822	-	-	-	-	24,695,822
Others	-	16,733,693	-	-	-	16,733,693
Financial liabilities at FVPL:						
Derivative liability	-	255,000	-	-	-	255,000
Notes payable	-	874,775,500	-	-	-	874,775,500
	<b>₱24,695,822</b>	<b>₱1,105,290,051</b>	<b>₱34,938,349</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,164,924,222</b>

The Group has committed lines of credit that it can access to meet its liquidation needs. As of December 31, 2013 and 2012, the Group has availed credit line with various banks amounting to ₱945.00 million.

#### Market Risk

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

#### *Interest Rate Risk*

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's equity and income as of December 31, 2013 and 2012.

Change in Basis Points	2013		2012	
	Effect on Equity	Effect on Income	Effect on Equity	Effect on Income
Increase by 100	<b>(₱164,353,274)</b>	<b>(₱11,436,289)</b>	(₱134,711,338)	(₱34,641,332)
Decrease by 100	<b>188,142,858</b>	<b>12,929,942</b>	154,491,539	₱39,539,782

#### *Foreign Currency Risk*

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



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

	2013	2012
Cash and cash equivalents	US\$1,607,494	US\$1,917,363
Receivables	15,144,375	11,098,602
AFS investments	1,956,183	3,800,600
Financial assets at FVPL - corporate bonds	-	1,621,743
Advances/deposits to sub-agents	-	1,422,428
Other receivables	30,821	-
	<b>18,738,873</b>	19,860,736
Due to sub-agents	1,627,637	1,422,428
Notes payable	-	21,310,000
Other payables	7,205	-
	<b>1,634,842</b>	22,732,428
Net foreign currency-denominated assets	17,104,031	(2,871,692)
Currency forwards	(20,400,000)	3,750,000
Net exposure	<b>(US\$3,295,969)</b>	US\$878,308

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rates used are ₱44.40 to US\$1 and ₱43.84 to US\$1 as of December 31, 2013 and 2012, respectively.

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

	2013		2012	
	Change in Foreign Exchange Rate	Effect on Net Income before Tax	Change in Foreign Exchange Rate	Effect on Net Income before Tax
Increase	+0.76%	₱1,017,390	+0.83%	₱299,253
Decrease	-0.76%	(1,017,390)	-0.83%	(299,253)

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

#### *Equity Price Risk*

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

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

	2013		2012	
	% Variance on Equity Price	Effect on Equity	% Variance on Equity Price	Effect on Equity
Increase	+2.691%	₱68,416,590	+2.371%	₱73,635,851
Decrease	-2.691%	(68,416,590)	-2.371%	(73,635,851)



### Capital Management

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

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

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

As of December 31, 2013 and 2012, the Group has no interest-bearing long-term debt. Thus, the debt-to-equity ratio is 0.00:1.00 as of December 31, 2013 and 2012.

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## 5. Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

### *Cash and Cash Equivalents, Receivables (excluding Unquoted Debt Securities), Accounts Payable and Other Current Liabilities and Notes Payable*

The carrying amounts approximate fair values due to the short-term nature of these financial instruments.

### *AFS Investments and Financial Assets at FVPL*

Fair values are generally based on quoted market prices. For the Group's equity and fixed income investments, fair values are determined based on quoted shares in the PSE and fixing rates of the Philippine Dealing Exchange, respectively. If market prices are not readily available or if the securities are not traded in an active market, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

### *Unquoted Debt Securities (included under Loans and receivables)*

Fair values of unquoted debt securities are estimated using the discounted cash flow methodology using the interpolated risk-free rate plus credit spread.

### *Rental deposits*

Fair values are estimated using the discounted cash flow methodology using the interpolated benchmark rates. The discount rate used in estimating the fair values of rental deposits ranges from 0.42% to 3.76% and from 0.79% to 4.16% as of December 31, 2013 and 2012, respectively.



*Derivative Instruments (included under Financial Assets at FVPL)*

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative instruments. For the stock warrants, fair values are determined based on the quoted bid price.

Fair value hierarchy

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

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

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

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

The fair value hierarchy as of December 31, 2013 and 2012 follows:

	2013				
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>					
Financial assets at FVPL (Note 9)					
Government bonds	₱122,477,283	₱122,477,283	₱-	₱-	₱122,477,283
Derivative assets	3,340,300	1,577,800	1,762,500	-	3,340,300
AFS investments (Note 10)					
Quoted:					
Government bonds	1,534,663,058	1,534,663,058	-	-	1,534,663,058
Equity securities	1,302,483,827	1,302,483,827	-	-	1,302,483,827
Corporate bonds	257,981,141	237,247,354	20,733,787	-	257,981,141
Mutual funds	1,597,680,533	1,597,680,533	-	-	1,597,680,533
	<b>₱4,818,626,142</b>	<b>₱4,796,129,855</b>	<b>₱22,496,287</b>	<b>₱-</b>	<b>₱4,818,626,142</b>
Financial liabilities at FVPL					
Derivative liabilities (Note 14)	₱2,649,000	₱-	₱2,649,000	₱-	₱2,649,000
<b>Assets for which fair values are disclosed</b>					
Rental deposits	₱19,186,888	₱-	₱18,751,170	₱-	₱18,751,170

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

	2012				
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets and liabilities measured at fair value</b>					
Financial assets at FVPL (Note 9)					
Government bonds	₱385,781,364	₱385,781,364	₱-	₱-	₱385,781,364
Corporate bonds	61,575,000	61,575,000	-	-	61,575,000
Derivative assets	2,801,400	-	2,801,400	-	2,801,400
AFS investments (Note 10)					
Quoted:					
Equity securities	1,666,255,287	1,666,255,287	-	-	1,666,255,287
Government bonds	1,355,540,891	1,355,540,891	-	-	1,355,540,891
Corporate bonds	77,819,199	77,819,199	-	-	77,819,199
Unquoted					
Corporate bonds	172,424,074	-	172,424,074	-	172,424,074
Mutual funds	1,583,970,477	1,583,970,477	-	-	1,583,970,477
	<b>₱5,306,167,692</b>	<b>₱5,130,942,218</b>	<b>₱175,225,474</b>	<b>₱-</b>	<b>₱5,306,167,692</b>
Financial liabilities at FVPL					
Derivative liabilities (Note 14)	₱255,000	₱-	₱255,000	₱-	₱255,000
<b>Assets for which fair values are disclosed</b>					
Rental deposits	₱18,576,904	₱-	₱17,469,554	₱-	₱17,469,554

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

In 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements. There were no fair value measurements with significant unobservable inputs to valuation categorized within Level 3 of the fair value hierarchy as of December 31, 2013 and 2012.



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## 6. Segment Information

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

- a. Investment holdings  
The investment holdings segment deals in the acquisition and sale of financial instruments.
- b. Remittance services  
The remittance services segment provides the infrastructure and services as the largest direct agent for money transfer of Overseas Filipino Workers. Beyond the remittance business, this segment facilitates the fulfillment of e-commerce transactions and serves as a payment platform for any Business to Business (B2B) or Business to Customers (B2C) initiative.
- c. Internet online-related products and services  
This segment engages 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; to engage in other pre-production and post-production work on web sites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.
- d. Mutual fund management  
This segment deals in the management of mutual funds.

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

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

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

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



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

	2013					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings information</b>						
Revenues	₱469,296,921	₱529,080,341	₱27,696,776	₱158,951,115	₱2,714,058	₱1,187,739,211
Cost of services and sales	—	—	13,065,452	45,975,579	—	59,041,031
Depreciation and amortization	2,348,516	15,774,656	534,453	110,288	—	18,767,913
Interest expense and bank charges	89,918	28,899,173	10,030	6,461	—	29,005,582
Segment income before tax	479,395,274	112,111,339	2,399,405	104,530,152	2,714,058	701,150,228
Provision for income tax	1,963,305	34,163,436	393,080	34,497,523	8,607	71,025,951
Net income attributable to equity holders of the Parent Company	477,431,969	77,947,903	1,007,702	36,268,849	2,705,451	595,361,874
<b>Other information</b>						
Segment assets	6,289,254,009	1,032,238,295	273,085,775	363,642,837	(507,180,404)	7,451,040,512
Segment liabilities	52,407,482	465,605,409	18,362,529	43,678,959	(1,578,793)	578,475,586
Costs to acquire property and equipment	1,260,253	18,923,899	2,112,910	508,065	—	22,805,127
Net cash flows provided by (used in):						
Operating activities	443,750,410	107,721,017	6,788,277	93,209,832	91,813,899	743,283,436
Investing activities	77,333,895	(7,485,212)	209,948,421	110,180,813	(89,112,152)	300,865,764
Financing activities	(1,940,096)	(901,241,443)	—	—	(2,539,639)	(905,721,178)
	2012					
	Investment Holdings	Remittance Services	Internet Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings information</b>						
Revenues	₱474,170,224	₱449,696,491	₱43,120,287	₱93,110,986	(₱1,146,734)	₱1,058,951,254
Cost of services and sales	—	—	17,950,308	15,150,855	—	33,101,163
Equity in net earnings of an associate and joint venture	—	—	(56,749)	—	—	(56,749)
Depreciation and amortization	3,201,767	13,144,811	674,908	259,036	—	17,280,522
Interest expense and bank charges	81,238	10,624,614	—	6,003	(23,644)	10,688,211
Segment income before tax	502,815,198	70,693,202	10,150,075	25,537,862	1,564,620	610,760,957
Provision for income tax	4,821,726	20,095,320	2,014,433	14,583,081	—	41,514,560
Net income attributable to equity holders of the Parent Company	497,993,472	47,544,257	8,742,849	17,864,319	(23,639,784)	548,505,113
<b>Other information</b>						
Segment assets	6,214,951,441	1,631,280,534	273,482,314	267,365,999	(555,177,314)	7,831,902,974
Segment liabilities	58,912,235	1,137,264,061	23,438,254	19,521,730	(47,789,779)	1,191,346,501
Costs to acquire property and equipment	3,339,437	13,823,283	1,813,288	112,595	—	19,088,603
Net cash flows provided by (used in):						
Operating activities	(265,632,205)	20,922,745	1,741,736	31,443,854	12,311,706	(199,212,164)
Investing activities	295,512,688	(13,638,216)	951,214	(111,248,369)	(9,277,649)	162,299,668
Financing activities	—	818,775,500	—	50,000,000	(782,620)	867,992,880





## 7. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	₱187,637,479	₱201,923,165
Cash in banks	64,031,813	139,858,467
Short-term investments	1,256,685,781	1,027,360,145
	<b>₱1,508,355,073</b>	<b>₱1,369,141,777</b>

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of one to three months depending on the immediate cash requirements of the Group. These short-term investments earn annual interest rates ranging from 1.75% to 3.59% in 2013, 2012 and 2011. Interest income from cash and cash equivalents amounted to ₱20.39 million, ₱22.51 million and ₱11.54 million in 2013, 2012 and 2011, respectively (see Note 17).

## 8. Loans and Receivables

This account consists of:

	2013	2012
Due from:		
Western Union	₱674,910,014	₱456,748,895
Broker	45,703,668	30,003,989
Sub-agents	14,600,000	15,174,922
Business partners	3,592,463	5,615,263
Advances	252,020,510	-
Receivable from advertising and web development services	40,232,466	42,529,019
Trade receivable	21,463,164	11,769,088
Accrued interest receivable	22,211,750	38,926,078
Receivable from related parties and employees (Note 20)	3,308,969	3,429,063
Unquoted debt securities	-	480,565,787
Others* (Note 26)	13,353,063	21,204,528
	<b>1,091,396,067</b>	<b>1,105,966,632</b>
Less: Allowance for credit losses	44,274,264	43,467,146
	<b>₱1,047,121,803</b>	<b>₱1,062,499,486</b>

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

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

Due from broker pertains to the amount collectible for the sale of quoted equity securities. This is usually collectible within three trading days following the settlement convention.

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



In February 2013, the Parent Company provided funds as deposit for future stock subscription to Vantage Equities Exchange Traded Fund, Inc. (ETF), amounting ₱252.02 million presented as 'Advances'. These 'Advances' will be applied as payment for the capital stock of ETF upon issuance of shares.

Unquoted debt securities represent investments in a fixed rate corporate note (FCN) issued by Puregold Price Club, Inc. amounting to ₱150.00 million and a credit linked note (CLN) amounting to US\$7.81 million (₱330.57 million). The FCN bears interest of 5.73% and will mature on October 22, 2017. On April 24, 2013, the Group preterminated its investment in FCN. The CLN is a global bond issued by SM Investment Corporation (SMIC) to ING Bank and bears a fixed annual interest rate of 5.00%. The CLN includes an embedded credit default swap, whose reference asset is a global bond issued by SMIC to ING Bank, and an embedded currency swap where the issuer agreed to pay the principal and interest cash flows at the rate of ₱42.34 to US\$1.00 (see Note 9 and 15). This security was held by the Group until maturity on July 20, 2013.

As of December 31, 2013, the Group does not hold any unquoted securities. The current and noncurrent portion of unquoted debt securities as of December 31, 2012 amounted to ₱330.57 million and ₱150.00 million, respectively.

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

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

The movements in allowance for credit losses are as follows:

	2013					
	Receivable from advertising and web development services	Trade receivables	Receivables from related parties and employees	Accrued interest receivable	Others	Total
Balance at beginning of year	₱26,942,294	₱580,889	₱1,295,924	₱50,667	₱14,597,372	₱43,467,146
Provision for credit losses (Note 19)	–	1,237,756	–	–	21,240	1,258,996
Recovery of allowance for credit losses (Note 20)	(329,392)	–	–	–	(122,486)	(451,878)
Balance at end of year	₱26,612,902	₱1,818,645	₱1,295,924	₱50,667	₱14,496,126	₱44,274,264
Specific assessment	₱26,612,902	₱1,818,645	₱1,295,924	₱50,667	₱14,496,126	₱44,274,264



	2012					
	Receivable from advertising and web development services	Trade receivables	Receivables from related parties and employees	Accrued interest receivable	Others	Total
Balance at beginning of year	₱29,511,309	₱7,627,663	₱1,295,924	₱50,667	₱11,475,280	₱49,960,843
Provision for credit losses (Note 19)	600,000	-	-	-	3,122,092	3,722,092
Recovery of allowance for credit losses (Note 20)	(3,169,015)	(7,046,774)	-	-	-	(10,215,789)
Balance at end of year	₱26,942,294	₱580,889	₱1,295,924	₱50,667	₱14,597,372	₱43,467,146
Specific assessment	₱26,664,748	₱580,889	₱1,295,924	₱50,667	₱14,597,372	₱43,189,600
Collective assessment	₱277,546	₱-	₱-	₱-	₱-	₱277,546

## 9. Financial Assets at FVPL

This account consists of investments in:

	2013	2012
Quoted:		
Government bonds	₱122,477,283	₱385,781,634
Corporate bond	-	61,575,000
Derivative assets	3,340,300	2,801,400
	₱125,817,583	₱450,158,034

### Government bonds

As of December 31, 2013 and 2012, government bonds consist of fixed rate treasury notes (FXTN) and retail treasury bonds (RTB) issued by the Republic of the Philippines which the Group intends to sell in the near future. The FXTNs bear interest rate at 8.00%, 6.38% to 8.00% and 4.70% to 6.50% and have terms of 18 years, 10 years to 20 years and 4 years to 25 years in 2013, 2012 and 2011, respectively. The RTBs bear interest rate at 5.88%, 6.13% and 5.90% and have terms of 19 years, 25 years and 10 years in 2013, 2012 and 2011, respectively.

### Corporate bond

This pertains to an investment in a fixed rate corporate bond issued by JG Summit Holdings, Inc. amounting to US\$1.50 million which is equivalent to ₱61.58 million as of December 31, 2012. The corporate bond bears a fixed rate of 8.00%. The Group held the fixed rate corporate bond which matured on January 18, 2013.

In 2012, the Group sold US\$0.40 million of the corporate bond and mark-to-market gain recognized in 2012 on the sold corporate bond amounted to ₱0.44 million (Note 17).

In 2013 and 2012, the Group recognized mark-to-market loss from its quoted government and corporate bonds held at FVPL amounting to ₱0.45 million and ₱3.52 million, respectively (Note 17).



Derivative instruments

This account includes currency forward contracts entered into by the Company to economically hedge the foreign exchange risk on US\$-denominated assets and liabilities. This also includes bifurcated embedded derivatives from the CLN such as credit default swap in relation to a linked obligation and an embedded foreign currency swap whereby the issuer agreed to pay principal and interest in Philippine peso at a fixed rate of ₱42.34 to US\$1.00. This CLN was held by the Group until maturity on July 20, 2013. As of December 31, 2012, the carrying value of CLN approximates its fair value (Note 8).

The Group's outstanding currency forward contracts have an aggregate notional amount of US\$20.40 million and US\$3.75 million as of December 31, 2013 and 2012, respectively. The forward contract rate in 2013 ranges from ₱43.59 to 44.46 per US\$1. As of December 31, 2013, the Group is in a net sell US dollar position while as of December 31, 2012, the Group is in net buy US dollar position.

As of December 31, 2013, derivative assets also consist of Leisure and Resorts World Corporation warrants which came from every purchase of twenty (20) non-voting preferred shares carrying a dividend rate of 8.50% per annum at ₱1 per share. The underlying warrants entitle the holder to purchase one common share which can be exercised by holders starting on March 31, 2019 until March 31, 2022. The warrants will expire on April 2, 2022.

In 2013, 2012 and 2011, the net fair value changes on the Group's currency forward contracts amounting to ₱0.77 million, ₱23.42 million and ₱13.54 million, respectively, are recognized in foreign exchange gain under 'Other income'.

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

	<b>2013</b>	2012
Balance at beginning of year		
Derivative assets	<b>₱2,801,400</b>	₱111,952
Derivative liabilities	<b>(255,000)</b>	(777,820)
	<b>2,546,400</b>	(665,868)
Fair value changes	<b>769,900</b>	23,421,550
Settled transactions	<b>(2,625,000)</b>	(20,209,282)
	<b>(1,855,100)</b>	3,212,268
Balance at end of year		
Derivative assets	<b>3,340,300</b>	2,801,400
Derivative liabilities (Note 15)	<b>(2,649,000)</b>	(255,000)
	<b>₱691,300</b>	₱2,546,400



## 10. AFS Investments

This account consists of investments in:

	2013	2012
Quoted:		
Equity securities	<b>₱1,302,483,827</b>	₱1,666,255,287
Government bonds	<b>1,534,663,058</b>	1,355,540,891
Corporate bonds	<b>257,981,141</b>	77,819,199
Unquoted:		
Corporate bonds	-	172,424,074
Equity securities	<b>239,312</b>	239,312
Mutual funds	<b>1,597,680,533</b>	1,583,970,477
Golf shares	<b>570,000</b>	570,000
	<b>4,693,617,871</b>	4,856,819,240
Less: Allowance for impairment losses	<b>239,312</b>	239,312
	<b>₱4,693,378,559</b>	₱4,856,579,928

### Equity securities

Quoted equity securities pertain to investments in stocks listed in the PSE.

Unquoted equity securities represent investments in stocks of companies delisted in the PSE. The Group assessed these unquoted equity securities to be impaired and provided full allowance for impairment losses amounting ₱0.24 million as of December 31, 2013 and 2012.

Dividend income earned from AFS equity securities amounted to ₱33.74 million, ₱37.04 million and ₱35.61 million in 2013, 2012 and 2011, respectively (Note 17).

### Government bonds

Government bonds primarily consist of peso-denominated FXTNs and RTBs which earn interest ranging from 5.88% to 8.13%, 6.13% to 8.13% and 6.38% to 8.13 in 2013, 2012 and 2011, respectively.

The Group also has US\$-denominated government bonds which include sovereign bonds issued by the Republic of the Philippines. The bonds earn annual interest at 6.50% and will mature on January 20, 2020.

### Corporate bonds

Quoted corporate bonds are peso-denominated and US\$-denominated bonds issued by private companies. Peso-denominated corporate bonds earn interest ranging from 6.80% to 9.10% as of December 31, 2013, 2012 and 2011. US\$-denominated bonds earn interest ranging from 4.38% to 7.25%, 5.25% to 5.50% and 6.88% to 9.38% as of December 31, 2013, 2012 and 2011, respectively.

Unquoted corporate bonds are peso-denominated bonds issued by private companies that are not actively traded in the market. These corporate bonds earn interest ranging from 6.80% to 9.10% as of December 31, 2012 and 2011 and were pre-terminated in 2013.

Interest income earned from AFS investments amounted to ₱94.94 million, ₱85.37 million and ₱103.28 million in 2013, 2012 and 2011 (Note 17).



Mutual funds

Mutual funds represent investment in an open-end mutual fund at a cost of ₱955.48 million. These investments are valued at net asset value per share (NAVPS) which is computed by dividing the mutual funds' net assets (total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date.

Net cumulative unrealized gain on mutual funds amounted to ₱628.49 million, ₱904.58 million and ₱239.22 million as of December 31, 2013 and 2012, respectively.

Trading and investment securities gains - net recognized from the sale of AFS investments are as follows:

	2013	2012	2011
Equity securities	<b>₱306,198,941</b>	₱260,207,219	₱218,808,123
Government Bonds	<b>25,934,744</b>	73,457,197	84,935,046
Mutual funds	<b>320,436</b>	-	29,406,881
	<b>₱332,454,121</b>	₱333,664,416	₱333,150,050

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

	2013	2012	2011
Balance at beginning of year, net of tax	<b>₱1,083,689,007</b>	₱559,388,191	₱587,388,710
Fair value changes taken to equity	<b>(63,114,599)</b>	857,965,232	305,149,531
Amounts taken to profit or loss (Note 17)	<b>(332,454,121)</b>	(333,664,416)	(333,150,050)
Net change in fair value for the year	<b>(395,568,720)</b>	524,300,816	(28,000,519)
Balance at end of year	<b>688,120,287</b>	1,083,689,007	559,388,191
Tax effect (Note 25)	<b>(276,683)</b>	(415,620)	(1,003,292)
Balance at end of year, net of tax	<b>₱687,843,604</b>	₱1,083,273,387	₱558,384,899

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

	2013	2012	2011
Net change in fair value for the year	<b>(₱395,568,720)</b>	₱524,300,816	(₱28,000,519)
Decrease in deferred tax liability	<b>138,937</b>	587,672	166,207,844
	<b>(₱395,429,783)</b>	₱524,888,488	₱138,207,325



## 11. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Creditable withholding tax	₱1,620,596	₱536,782
Input value added tax	1,171,410	3,253,030
Prepaid expenses	1,450,423	2,461,136
Others	124,174	2,465,222
	<b>₱4,366,603</b>	<b>₱8,716,170</b>

Creditable withholding tax pertains to tax credits withheld on behalf of the Group to be applied against its tax liabilities. Prepaid expenses comprise rent, insurance, taxes and uniforms. Others include construction and renovation deposits paid by e-Business' branches.

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

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

	2013	2012
Acquisition costs:		
Balance at beginning of year		
Associate		
Fifth Agency Unified Services, Inc. (FAUSI)	₱300,000	₱300,000
Joint Venture		
Media Contacts, Inc. (MCI)	-	4,836,800
Disposal of investment in joint venture	-	(4,836,800)
Balance at end of year	300,000	300,000
Allowance for impairment	(180,772)	(180,772)
	<b>119,228</b>	<b>119,228</b>
Accumulated equity in net earnings (losses):		
Balance at beginning of year	-	1,752
Equity in net losses	-	(56,749)
Disposal of investment in joint venture	-	54,997
Balance at end of year	<b>₱-</b>	<b>₱-</b>
	<b>₱119,228</b>	<b>₱119,228</b>

As of December 31, 2013 and 2012, there are no movements in the allowance for impairment on investment in FAUSI.

Investment in an associate represents e-Business' 25.00% 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. In 2012, the BOD approved the liquidation of FAUSI. As of December 31, 2013, the stockholders of FAUSI have yet to convene to finalize the liquidation plan.



Investment in a joint venture represents Yehey!’s investment in MCI. On October 27, 2008, Yehey! entered into a joint venture contract with Media Contacts, S.A. to create MCI. The purpose of this joint venture is to provide marketing, sales and promotional consultancy services, including the conceptualization, preparation, creation, supply and delivery of marketing, sales and promotional plans and support services, provided that the Yehey! shall not engage in the buying of media time or space for its clients. The initial investment of Yehey! comprised of share holdings in the joint venture which amounted to ₱4.84 million. Media Contacts, S.A. also subscribed and paid for shares of the same amount.

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

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

Year	Total Assets	Total Liabilities	Net Income (Loss)
<b>2013</b>	<b>₱870</b>	<b>₱494</b>	<b>₱8</b>
2012	812	445	(97)

FAUSI has no noncurrent assets and noncurrent liabilities as of December 31, 2013 and 2012.

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

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

FAUSI and MCI are private companies and there are no quoted market prices available for their shares.





### 13. Property and Equipment

This account consists of:

2013							
	Office Condominium	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Server and Network Equipment	Office Improvements	Total
<b>Cost</b>							
Balance at beginning of year	₱37,756,690	₱136,418,037	₱23,075,169	₱125,473,761	₱9,271,270	₱10,474,889	₱342,469,816
Additions	-	16,153,443	-	5,193,202	231,853	1,226,629	22,805,127
Disposals	(31,524,690)	(2,541,776)	-	(3,788,181)	-	(8,305,757)	(46,160,404)
<b>Balance at end of year</b>	<b>6,232,000</b>	<b>150,029,704</b>	<b>23,075,169</b>	<b>126,878,782</b>	<b>9,503,123</b>	<b>3,395,761</b>	<b>319,114,539</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	21,855,747	124,708,502	13,572,082	117,134,343	8,892,433	10,396,159	296,559,266
Depreciation and amortization (Notes 19 and 20)	962,106	5,890,037	2,927,584	5,619,255	135,658	92,194	15,626,834
Disposals	(16,585,853)	(2,760,000)	-	(3,311,594)	-	(8,237,446)	(30,894,893)
<b>Balance at end of year</b>	<b>6,232,000</b>	<b>127,838,539</b>	<b>16,499,666</b>	<b>119,442,004</b>	<b>9,028,091</b>	<b>2,250,907</b>	<b>281,291,207</b>
<b>Net Book Value</b>	<b>₱-</b>	<b>₱22,191,165</b>	<b>₱6,575,503</b>	<b>₱7,436,778</b>	<b>₱475,032</b>	<b>₱1,144,854</b>	<b>₱37,823,332</b>

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

Fully depreciated assets are retained in the account until they are no longer in use and no further depreciation and amortization are charged against current operations. As of December 31, 2013 and 2012, the cost of fully depreciated assets still being used in operations amounted to ₱165.43 million and ₱146.33 million, respectively.

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

	2013	2012	2011
General and administrative expenses (Note 19)	<b>₱18,767,913</b>	₱16,687,684	₱21,967,798
Cost of services and sales (Note 18)	<b>218,224</b>	592,838	884,273
	<b>₱18,986,137</b>	₱17,280,522	₱22,852,071



#### 14. Other Noncurrent Assets

This account consists of:

	2013	2012
Receivable from sale of investment	₱96,592,600	₱96,592,600
Rental and other deposits	22,423,245	20,729,593
Software and website costs	220,487	3,220,609
Others	3,223,922	810,483
	<b>122,460,254</b>	121,353,285
Less: Allowance for credit and impairment losses	96,815,015	96,815,015
	<b>₱25,645,239</b>	₱24,538,270

In 2001, the Parent Company sold its investment in Lucky Star at ₱96.59 million (a company incorporated to operate off-front on betting stations in the Philippines) since management believes that there is a significant uncertainty with respect to the recovery of this investment due to the Supreme Court decision to shut down Jai-alai operations. The related receivable from the sale, which is collectible over ten years at certain pre-agreed installment terms until 2012, has been fully provided with allowance for credit losses. As collections are actually received, an equivalent amount of the allowance will be reversed and credited to income.

As of December 31, 2013 and 2012, there are no movements in the allowance for credit and impairment losses.

The movements in software and website costs follow:

	2013	2012
<b>Cost</b>		
Balance at beginning of year	₱10,986,779	₱10,986,779
Additions	359,181	-
<b>Balance at end of year</b>	<b>11,345,960</b>	10,986,779
<b>Accumulated Amortization</b>		
Balance at beginning of year	7,766,170	7,725,726
Amortization (Notes 13 and 19)	3,359,303	40,444
<b>Balance at end of year</b>	<b>11,125,473</b>	7,766,170
	<b>₱220,487</b>	₱3,220,609

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



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

This account consists of:

	<b>2013</b>	2012
Due to sub-agents and brokers	<b>₱418,121,562</b>	₱196,929,646
Accrued expenses	<b>51,134,644</b>	51,534,561
Trade	<b>44,677,203</b>	24,695,822
Output value added tax	<b>1,517,669</b>	8,132,812
Derivative liabilities (Note 9)	<b>2,649,000</b>	255,000
Others	<b>17,070,813</b>	16,733,693
	<b>₱535,170,891</b>	₱298,281,534

Terms and conditions and nature of the liabilities follow:

- Due to sub-agents and brokers are noninterest-bearing and are normally settled on a two to four days' term (Note 8).
- Accrued expenses consists of accruals for profit sharing costs, vacation leave and sick leave conversion, insurance, security services, cash delivery services, utilities, media buys and others.
- Trade payables include amounts due for purchase of government bonds.
- Other payables include withholding taxes payable, documentary stamp tax payable, merchant deposits, sundry credits and others.

Trade payables, accrued expenses and other payables are all short-term in nature. These are settled within one year after the reporting period.

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**16. Notes Payable**

In 2013 and 2012, e-Business availed of various unsecured US\$ denominated short-term loans from different counterparty banks with terms ranging from 1 to 30 days. Annual interest rates range from 2.50% to 4.00% and 2.75% to 3.00% in 2013 and 2012, respectively. There are no outstanding short-term loans as of December 31, 2013.

The amount of short-term loans and their outstanding balances follows:

	<b>2013</b>	2012
Loans outstanding at beginning of year	<b>₱874,775,500</b>	₱-
Loan issuances	<b>1,201,110,000</b>	874,775,500
Loan payments	<b>(2,075,885,500)</b>	-
Loans outstanding at end of year	<b>₱-</b>	874,775,500

The Group recognized interest expense (included in 'Interest expense and bank charges') amounting to ₱26.19 million and ₱9.78 million from short-term loans in 2013 and 2012, respectively.



## 17. Revenues

This account consists of:

	2013	2012	2011
Trading and investment securities			
gains - net (Notes 9 and 10)	<b>₱339,657,175</b>	₱333,663,314	₱329,626,095
Commission income	<b>342,445,176</b>	313,304,937	334,087,049
Interest income from:			
AFS investments	<b>94,940,548</b>	85,374,345	103,282,875
Cash and cash equivalents (Note 7)	<b>20,389,850</b>	22,511,417	11,535,280
Unquoted debt securities	<b>2,447,787</b>	16,777,043	4,075,852
Financial assets at FVPL	<b>9,050,698</b>	7,298,146	6,583,120
Service income	<b>137,408,816</b>	87,633,738	65,414,284
Share in foreign exchange differential	<b>99,817,586</b>	81,507,179	85,573,235
Money changing gain	<b>74,663,400</b>	34,076,538	36,485,920
Dividend income	<b>33,743,756</b>	37,039,014	35,610,251
Advertising, web development and internet service	<b>18,484,881</b>	31,417,088	33,851,638
Income from business partners	<b>14,689,538</b>	8,348,495	2,868,068
	<b>₱1,187,739,211</b>	₱1,058,951,254	₱1,048,993,667

The breakdown of Trading and investment securities gains - net follows:

	2013	2012	2011
<b>Financial Assets at FVPL</b>			
Realized gain on sale taken to profit or loss	<b>₱10,931,244</b>	₱444,067	₱-
Unrealized loss on changes in fair value	<b>(3,728,190)</b>	(445,169)	(3,523,955)
	<b>7,203,054</b>	(1,102)	(3,523,955)
<b>AFS Investments</b>			
Realized gain on sale taken to profit or loss (Note 10)	<b>332,454,121</b>	333,664,416	333,150,050
Net trading and investment securities gain - net	<b>₱339,657,175</b>	₱333,663,314	₱329,626,095



## 18. Cost of Services and Sales

This account consists of:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Service and commission fees	<b>₱37,652,563</b>	₱7,829,738	₱14,355,000
Personnel costs	<b>16,009,287</b>	18,042,166	16,950,227
Cost of digital public relations	<b>3,306,048</b>	3,274,925	735,656
Advertising and web development	<b>533,558</b>	918,888	669,146
Service connection fee	<b>523,053</b>	1,465,587	1,127,748
Subscription	<b>461,658</b>	607,506	948,284
Retirement expense (Note 22)	<b>311,543</b>	202,354	400,933
Depreciation and amortization (Note 13)	<b>218,224</b>	592,838	884,273
Others	<b>25,097</b>	167,161	1,514,692
	<b>₱59,041,031</b>	₱33,101,163	₱37,585,959

## 19. General and Administrative Expenses

This account consists of:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Personnel costs	<b>₱132,386,456</b>	₱120,807,858	₱154,199,889
Rent and utilities (Note 21)	<b>85,885,504</b>	73,934,773	77,960,333
Commission expense (Note 20)	<b>84,350,125</b>	69,208,683	61,879,343
Outside services	<b>65,511,602</b>	61,943,000	64,150,913
Depreciation and amortization (Note 13)	<b>18,767,913</b>	16,687,684	21,967,798
Taxes and licenses	<b>17,409,838</b>	13,462,210	11,811,586
Office supplies	<b>11,842,194</b>	12,292,296	14,006,383
Legal and professional fees	<b>11,238,308</b>	43,728,412	7,708,160
Transportation and communication	<b>6,012,113</b>	16,090,435	15,876,117
Repairs and maintenance	<b>4,458,145</b>	4,021,621	3,010,177
Entertainment, amusement and recreation	<b>4,130,594</b>	2,847,555	3,631,565
Advertising	<b>3,959,321</b>	4,322,919	12,252,274
Insurance	<b>2,847,824</b>	1,497,050	2,970,288
Retirement expense (Note 22)	<b>1,560,913</b>	1,295,072	826,967
Provision for credit and impairment losses (Note 8)	<b>1,258,996</b>	3,722,092	13,836,393
Membership fees and other dues	<b>307,117</b>	1,424,029	1,411,709
Others	<b>5,482,955</b>	3,191,078	7,701,706
	<b>₱457,409,918</b>	₱450,476,767	₱475,201,601



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## 20. Other Income

This account consists of:

	2013	2012	2011
Foreign exchange gain - net (Note 9)	<b>₱26,618,817</b>	₱29,692,638	₱17,332,926
Gain from sale of property and equipment	<b>27,991,661</b>	59,521	21,070
Recovery of allowance for credit losses (Note 8)	<b>451,878</b>	10,215,789	2,172,113
Miscellaneous income	<b>3,805,192</b>	3,446,448	5,818,411
	<b>₱58,867,548</b>	₱43,414,396	₱25,344,520

In April 2013, the Parent Company recognized gain on disposal amounting to ₱27.99 million from its sale of office condominium units in Discovery Center. The Parent Company also paid commissions to broker amounting to ₱1.29 million (included under 'General and administrative expenses').

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

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## 21. Lease Commitments

e-Business leases its office space and the space occupied by its branches with varying periods of up to 5 years, and are renewable on such terms and conditions mutually acceptable to both parties. Rent expense charged to operations amounted to ₱55.33 million, ₱57.47 million and ₱52.08 million in 2013, 2012 and 2011, respectively.

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

	2013	2012
Within one year	<b>₱44,485,938</b>	₱39,999,426
After one year but not more than five years	<b>37,991,529</b>	24,273,042
	<b>₱82,477,467</b>	₱64,272,468

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## 22. Retirement Plan

The Parent Company, Yehey! and PEMI have unfunded, noncontributory defined benefit pension plans covering substantially all of their qualified employees. e-Business has a funded, noncontributory defined benefit pension plan. The funds of the plan of e-Business are being administered and managed by the Trust & Investment Services Group of Union Bank of the Philippines.



The amounts of net defined benefit asset (liability) of the Group in the consolidated statements of financial position follow:

	<b>December 31, 2013</b>	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
Retirement assets	<b>₱4,758,107</b>	₱6,764,863	₱6,343,023
Retirement liabilities	<b>3,464,867</b>	2,607,486	1,926,564
	<b>₱1,293,240</b>	₱4,157,377	₱4,416,459

The breakdown of 'Retirement expense' follows:

	2013	2012	2011
General and administrative expenses (Note 19)	<b>₱1,560,913</b>	₱1,295,072	₱826,967
Cost of services and sales (Note 18)	<b>311,543</b>	202,354	400,933
	<b>₱1,872,456</b>	₱1,497,426	₱1,227,900

Remeasurement gains (losses) related to pension plans to be recognized in OCI follow:

	2013	2012	2011
Actuarial changes in actuarial assumptions in the defined benefit obligation	<b>(₱306,335)</b>	₱143,173	(₱145,083)
Actuarial changes in actuarial assumptions in return on plan assets	<b>(685,346)</b>	(1,381,517)	1,240,146
Income tax effect	<b>245,736</b>	306,749	(372,044)
	<b>(₱745,945)</b>	₱839,568	₱723,113

The latest actuarial valuation for these retirement plans was made on December 31, 2013. The following table shows the actuarial assumptions as of December 31, 2013 and 2012, and January 1, 2012 used in determining the retirement benefit obligation of the Group.

<b>December 31, 2013</b>			
	Average remaining working life	Discount rate	Future salary increase
Parent Company	4 years	5.00%	4.00%
e-Business	8 years	4.87%	4.00%
Yehey!	5 years	5.05%	4.00%
PEMI	3 years	4.92%	4.00%
December 31, 2012			
	Average remaining working life	Discount rate	Future salary increase
Parent Company	3 years	5.70%	4.00%
e-Business	8 years	5.40%	4.00%
Yehey!	5 years	5.05%	4.00%
PEMI	3 years	5.45%	4.00%



December 31, 2011

	Average remaining working life	Discount rate	Future salary increase
Parent Company	4 years	16.47%	4.00%
e-Business	8 years	6.10%	4.00%
Yehey!	5 years	6.20%	4.00%
PEMI	3 years	5.45%	4.00%

The fair values of plan assets of e-Business by each class as at the end of the reporting periods are as follows:

	2013	2012
Cash and cash equivalents		
Time deposit	<b>₱5,718,312</b>	₱5,680,600
Savings deposit	<b>30,523</b>	20,127
Investment in mutual funds - FVPL	<b>7,598,459</b>	7,518,811
AFS investments		
Investment in unit investment trust fund (UITF)	<b>260,812</b>	260,812
Accumulated market gains - UITF	<b>182,951</b>	154,133
Accrued interest income	<b>8,466</b>	19,234
	<b>13,799,523</b>	13,653,717
Trustee fee payable	<b>93,851</b>	–
	<b>₱13,705,672</b>	₱13,653,717

The carrying values of the plan assets approximate fair values as of December 31, 2013 and 2012. The fair values of the asset have not materially changed due to adoption of PFRS 13.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Parent Company		EBSI		YC		PEMI	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	₱224,949	+1.00%	₱1,558,505	+1.00%	₱162,904	+1.00%	₱185,177
	-1.00%	(224,949)	-1.00%	(1,558,505)	-1.00%	(162,904)	-1.00%	(185,177)
Future salary increase	+1.00%	222,622	+1.00%	1,556,328	+1.00%	162,990	+1.00%	185,021
	-1.00%	(222,622)	-1.00%	(1,556,328)	-1.00%	(162,990)	-1.00%	(185,021)
Estimated working lives	+10.00%	10,225	+10.00%	623,942	+10.00%	74,351	+10.00%	29,550
	-10.00%	(10,225)	-10.00%	(623,942)	-10.00%	(74,351)	-10.00%	(29,550)

Shown below is the maturity analysis of the Group's undiscounted benefit payments:

	December 31, 2013		December 31, 2012	
	More than 10 to 15 years	More than 15 years	More than 10 to 15 years	More than 15 years
Parent Company	<b>₱7,288,078</b>	<b>₱–</b>	₱7,243,322	₱3,239,461
e-Business	<b>11,555,747</b>	<b>19,234,714</b>	10,665,850	13,186,143
Yehey!	<b>500,807</b>	<b>2,077,843</b>	499,231	–
PEMI	<b>2,972,869</b>	<b>5,989,019</b>	2,966,648	4,798,780





The movement in the Group's retirement liability (asset), present value of defined benefit obligation and fair value of plan assets follows:

	2013		Remeasurements in other comprehensive income					December 31, 2013
	Net benefit cost in consolidated statement of income		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from			Subtotal	
	January 1, 2013	Current service cost		Net interest	changes in demographic assumptions	changes arising from changes in financial assumptions		
Present value of defined benefit obligation	₱9,496,340	₱2,102,027	₱507,730	₱51,652	₱1,010,588	₱306,335	₱12,412,432	
Fair value of plan assets	(13,653,717)	—	(737,301)	—	—	685,346	(13,705,672)	
Net defined benefit asset	(₱4,157,377)	₱2,102,027	(₱229,571)	₱51,652	₱1,010,588	(₱755,905)	(₱1,293,240)	
			Subtotal*					
			1,872,756					

\*Presented under 'Cost of services and sales' and 'General and administrative expenses' in the consolidated statements of income.

	2012 (As restated - Note 2)		Remeasurements in other comprehensive income					December 31, 2012
	Net benefit cost in consolidated statement of income		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from			Subtotal	
	January 1, 2012	Current service cost		Net interest	changes in demographic assumptions	changes arising from changes in financial assumptions		
Present value of defined benefit obligation	₱7,150,176	₱1,770,956	₱432,035	₱—	₱914,551	₱143,173	₱9,496,340	
Fair value of plan assets	(11,566,635)	—	(705,565)	—	—	(1,381,517)	(13,653,717)	
Net defined benefit asset	(₱4,416,459)	₱1,770,956	(₱273,530)	₱—	₱914,551	(₱771,378)	(₱4,157,377)	
			Subtotal*					
			₱1,497,426					

\*Presented under 'Cost of services and sales' and 'General and administrative expenses' in the consolidated statements of income.



## 23. Equity

The details of this account as of December 31, 2013 and 2012 are shown below:

	2013		2012	
	Shares	Amount	Shares	Amount
Authorized shares (at par value*)	2,250,000,000	₱2,250,000,000	2,250,000,000	₱2,250,000,000
Issued shares	2,235,390,633	2,235,390,633	2,235,390,633	2,235,390,633
Treasury stock	(135,599,500)	(190,460,934)	(134,855,500)	(188,520,838)
Outstanding shares	2,099,791,133	₱2,044,929,699	2,100,535,133	₱2,046,869,795

\*₱1.00 par value per share

On various dates in August 2013, the Parent Company acquired a total of 0.74 million shares for ₱1.93 million thereby increasing the total acquired shares to 135.60 million shares for an aggregate price of ₱190.46 million.

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

### a. Authorized Shares

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

### b. Stock Dividends

Date of SEC Approval	Percentage
January 12, 2009	25%

### c. Number of Shareholders

Year End	Number of shareholders
December 31, 2013	648
December 31, 2012	688
December 31, 2011	685

In the consolidated financial statements, a portion of the Group's retained earnings corresponding to the accumulated net earnings of the subsidiaries amounting to ₱413.65 million and ₱343.34 million as of December 31, 2013 and 2012, respectively, is not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend declaration upon receipt of dividends from the investees.

### *Dividend declaration of subsidiaries*

On November 23, 2012, the BOD and two-thirds (2/3) of the outstanding capital of PEMI approved and declared 300% stock dividends and approved the application for increase in authorized capital stock to accommodate the stock dividends. Total stock dividends declared amounted to ₱76.50 million (765,000 common shares).



On the same date, the BOD of PEMI approved the following resolutions, subject to the ratification by PEMI's shareholders in the next annual meeting and the approval of the SEC:

- a. The amendment of PEMI's Articles of Incorporation and By-Laws to increase its authorized capital stock from 500,000 to 1,500,000 common shares, with a par value of ₱100.00 per share.
- b. The subscription of ₱76.50 million out of the foregoing increase in authorized capital stock by way of stock dividends.
- c. The issuance of stock dividends to its stockholders of record on the 15<sup>th</sup> day counted from the approval by the SEC of the increase in authorized capital stock, 765,000 shares of stock of PEMI, which shares have an aggregate par value of ₱76.50 million to be distributed to the stockholders of PEMI as of November 23, 2012, provided that any fraction of a share shall be deemed to have not been issued. Any resulting fractional share shall be rounded down to the nearest whole number.

The SEC approved the dividend declaration on June 5, 2013.

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#### 24. Approval for the Release of the Financial Statements

The accompanying consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on March 27, 2014.

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#### 25. Income Tax

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

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

	2013	2012 (As restated - Note 2)
Deferred tax assets (liabilities) on:		
Allowance for impairment and credit losses	₱1,523,849	₱2,233,376
Retirement asset	(1,427,432)	(1,990,869)
Unrealized foreign exchange loss (gain)	(564,292)	296,330
Net unrealized gain on changes in fair value of AFS investments	(276,683)	(415,620)
Allowance for impairment of investment	-	54,231
Net deferred tax assets (liabilities)	(₱744,558)	₱177,448

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



	2013	2012 (As restated - Note 2)
Allowance for credit losses	P134,034,182	P132,839,726
Accrued expenses	24,336,508	-
NOLCO	5,423,341	229,202
Retirement payable	3,464,867	3,380,494
Leave credits for employees	1,267,524	1,267,524
Remeasurement losses on retirement plan	55,550	-
Unrealized foreign exchange loss (gain)	-	15,909,552
	<b>P168,581,972</b>	<b>P153,626,498</b>
Excess of MCIT over RCIT	<b>P3,376,481</b>	<b>P-</b>

Movements in the Group's NOLCO and MCIT are as follows:

	2013		2012	
	NOLCO	MCIT	NOLCO	MCIT
Balance at beginning of year	P229,202	P-	P204,333	P14,242
Addition	5,278,257	244,786	109,412	-
Application/expiration	(84,118)	-	(84,543)	(14,242)
Balance at end of year	<b>P5,423,341</b>	<b>P244,786</b>	P229,202	-

Details of the Group's NOLCO are as follows:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2010	P52,089	P52,089	P-	2014
2011	95,403	32,029	63,374	2015
2012	1,523,889	-	1,523,889	2016
2013	3,836,078	-	3,836,078	2017
	<b>P5,507,459</b>	<b>P84,118</b>	<b>P5,423,341</b>	

Details of the Group's MCIT are as follows:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2013	P244,786	-	P244,786	2016

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

	2013	2012	2011
Statutory income tax	<b>30.00%</b>	30.00	30.00%
Income tax effects of:			
Tax-exempt and tax-paid income	<b>(20.03)</b>	(22.39)	(23.89)
Changes in unrecognized deferred tax assets	<b>0.20</b>	(0.10)	(1.60)
Nondeductible expenses	<b>0.25</b>	-	-
Nontaxable expenses	<b>(0.04)</b>	-	-
Others	<b>(0.21)</b>	(0.72)	1.03
Effective income tax	<b>10.17%</b>	6.79%	5.54%



## 26. Related Party Transactions

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

Related party transactions with subsidiaries are eliminated in the consolidated financial statements. These transactions are based on terms similar to those offered to non-related parties and are settled in cash.

The following table presents the balances of material intercompany transactions of the Group as of and for the years ended December 31, 2013 and 2012:

		<b>2013</b>		
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱49,448	₱395,992	On demand, noninterest bearing and unsecured
		<b>2012</b>		
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱-	₱346,544	On demand, noninterest bearing and unsecured
MCI (Joint venture)	Due from MCI (Other receivables)	-	-	Unsecured advances at annual interest rate of 4.00%
	Settlement	1,456,500	-	
	Commission income	117,039	-	Pertains to 2.00% commission earned from media sales
		<b>2011</b>		
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱64,859	₱346,544	On demand, noninterest bearing and unsecured
MCI (Joint venture)	Due from MCI (Other receivables)	-	1,456,500	Unsecured advances at annual interest rate of 4.00%
	Cash advances	1,456,500	-	
	Settlement	5,275,764	-	
	Interest income	386,945	-	
	Commission income	166,167	-	Pertains to 2.00% commission earned from media sales

### *Terms and conditions of transactions with other related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. In 2013 and 2012, no provisions for credit losses were provided for the related parties' transactions.



Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

The remuneration of the Group's key management personnel follows:

	2013	2012	2011
Salaries and wages	<b>₱14,187,608</b>	₱12,402,468	₱15,555,985
Retirement benefits	<b>1,797,332</b>	478,475	848,770
	<b>₱15,984,940</b>	₱12,880,943	₱16,404,755

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**27. Basic/Diluted Earnings Per Share**

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
(a) Net income attributable to equity holders of the Parent Company	<b>₱595,361,874</b>	₱548,505,113	₱513,992,248
(b) Weighted average outstanding shares	<b>2,100,225,133</b>	2,100,535,133	2,100,535,133
(c) Basic/Diluted earnings per share (a/b)	<b>₱0.2835</b>	₱0.2611	₱0.2447

As of December 31, 2013 and 2012, the Parent Company does not have dilutive potential common shares.

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**28. Contingencies**

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

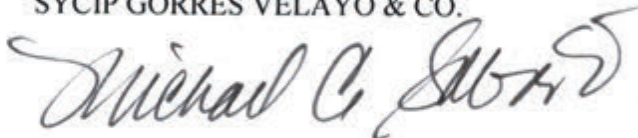


**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Vantage Equities, Inc.  
2004A East Tower, PSE Centre  
Exchange Road, Ortigas Center  
Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vantage Equities, Inc. and Subsidiaries (the Group) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Form 17-A and have issued our report thereon dated March 27, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado  
Partner  
CPA Certificate No. 89336  
SEC Accreditation No. 0664-AR-2 (Group A),  
March 26, 2014, valid until March 25, 2017  
Tax Identification No. 160-302-865  
BIR Accreditation No. 08-001998-73-2012,  
April 11, 2012, valid until April 10, 2015  
PTR No. 4225212, January 2, 2014, Makati City

March 27, 2014

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2013**

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

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A	Financial Assets <i>(Part II 6D, Annex 68-E, A)</i>	9
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) <i>(Part II 6D, Annex 68-E, B)</i>	10
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**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2013**

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

Unappropriated retained earnings, beginning (restated)		₱2,999,945,364
Add: Net income closed to retained earnings	477,218,926	
Fair value adjustment (mark-to-market loss)	4,834,572	482,053,498
<u>Retained earnings available for dividend distribution, ending</u>		<u>₱3,481,998,862</u>

**VANTAGE EQUITIES INC.**  
**SCHEDULE IV**  
**List of Effective Philippine Financial Reporting Standards and Interpretations**  
**As of December 31, 2013**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2013		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		<b>X</b>		
<b>PFRSs Practice Statement Management Commentary</b>				<b>X</b>
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			<b>X</b>
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			<b>X</b>
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			<b>X</b>
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			<b>X</b>
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			<b>X</b>
	Amendments to PFRS 1: Government Loans			<b>X</b>
<b>PFRS 2</b>	Share-based Payment			<b>X</b>
	Amendments to PFRS 2: Vesting Conditions and Cancellations			<b>X</b>
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			<b>X</b>
<b>PFRS 3 (Revised)</b>	Business Combinations			<b>X</b>
<b>PFRS 4</b>	Insurance Contracts			<b>X</b>
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			<b>X</b>
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			<b>X</b>
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			<b>X</b>
<b>PFRS 7</b>	Financial Instruments: Disclosures	<b>X</b>		
	Amendments to PFRS 7: Transition			<b>X</b>
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	<b>X</b>		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	<b>X</b>		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	<b>X</b>		

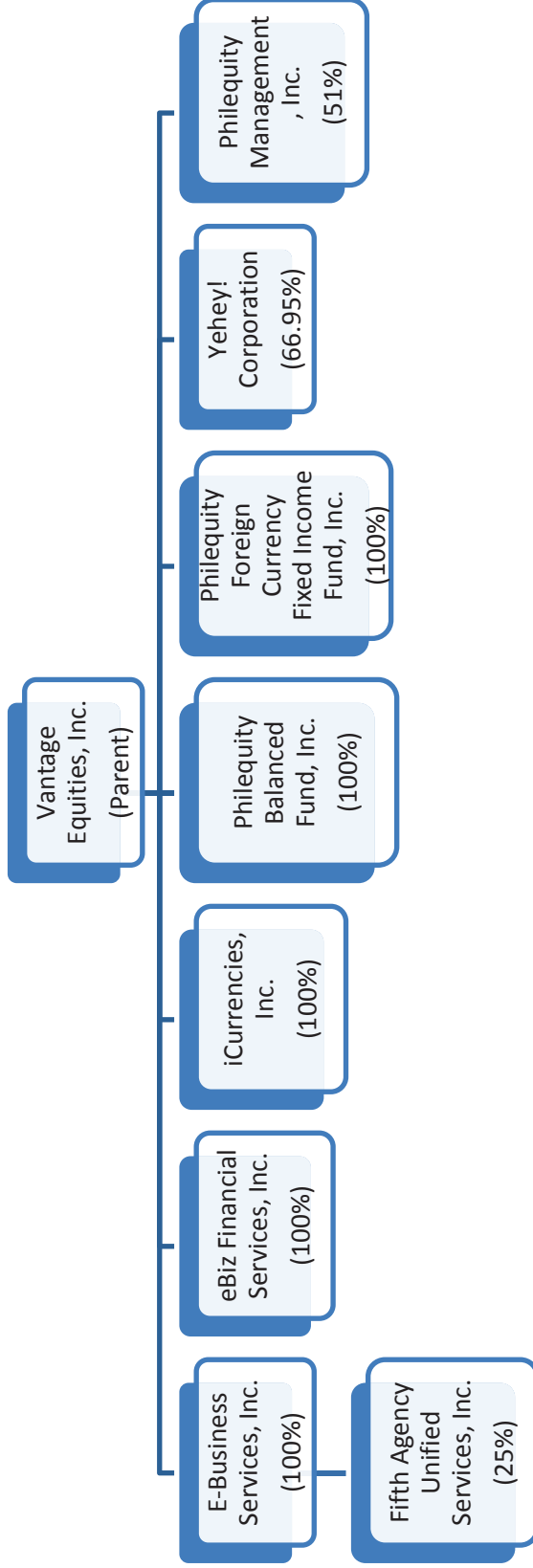
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2013		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	<b>X</b>		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	<b>X</b>		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	<b>X</b>		
<b>PFRS 8</b>	Operating Segments	<b>X</b>		
<b>PFRS 9</b>	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
<b>PFRS 10</b>	Consolidated Financial Statements	<b>X</b>		
<b>PFRS 11</b>	Joint Arrangements	<b>X</b>		
<b>PFRS 12*</b>	Disclosure of Interests in Other Entities	<b>X</b>		
<b>PFRS 13*</b>	Fair Value Measurement	<b>X</b>		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	<b>X</b>		
	Amendment to PAS 1: Capital Disclosures	<b>X</b>		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			<b>X</b>
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	<b>X</b>		
<b>PAS 2</b>	Inventories			<b>X</b>
<b>PAS 7</b>	Statement of Cash Flows	<b>X</b>		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	<b>X</b>		
<b>PAS 10</b>	Events after the Balance Sheet Date	<b>X</b>		
<b>PAS 11</b>	Construction Contracts			<b>X</b>
<b>PAS 12</b>	Income Taxes	<b>X</b>		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			<b>X</b>
<b>PAS 16</b>	Property, Plant and Equipment	<b>X</b>		
<b>PAS 17</b>	Leases	<b>X</b>		
<b>PAS 18</b>	Revenue	<b>X</b>		
<b>PAS 19</b>	Employee Benefits			<b>X</b>
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			<b>X</b>

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2013		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 19 (Amended)*</b>	Employee Benefits	<b>X</b>		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			<b>X</b>
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	<b>X</b>		
	Amendment: Net Investment in a Foreign Operation			<b>X</b>
<b>PAS 23 (Revised)</b>	Borrowing Costs			<b>X</b>
<b>PAS 24 (Revised)</b>	Related Party Disclosures	<b>X</b>		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			<b>X</b>
<b>PAS 27</b>	Consolidated and Separate Financial Statements	<b>X</b>		
<b>PAS 27 (Amended)*</b>	Separate Financial Statements	<b>X</b>		
<b>PAS 28</b>	Investments in Associates			<b>X</b>
<b>PAS 28 (Amended)*</b>	Investments in Associates and Joint Ventures	<b>X</b>		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			<b>X</b>
<b>PAS 31</b>	Interests in Joint Ventures			<b>X</b>
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	<b>X</b>		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			<b>X</b>
	Amendment to PAS 32: Classification of Rights Issues			<b>X</b>
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		Not early adopted	
<b>PAS 33</b>	Earnings per Share	<b>X</b>		
<b>PAS 34</b>	Interim Financial Reporting			<b>X</b>
<b>PAS 36</b>	Impairment of Assets	<b>X</b>		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	<b>X</b>		
<b>PAS 38</b>	Intangible Assets			<b>X</b>
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	<b>X</b>		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	<b>X</b>		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			<b>X</b>
	Amendments to PAS 39: The Fair Value Option			<b>X</b>
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			<b>X</b>
	Amendments to PAS 39 and PFRS 7: Reclassification of	<b>X</b>		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2013		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	<b>X</b>		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			<b>X</b>
	Amendment to PAS 39: Eligible Hedged Items			<b>X</b>
<b>PAS 40</b>	Investment Property			<b>X</b>
<b>PAS 41</b>	Agriculture			<b>X</b>
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			<b>X</b>
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			<b>X</b>
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>			<b>X</b>
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			<b>X</b>
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			<b>X</b>
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			<b>X</b>
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>			<b>X</b>
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			<b>X</b>
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			<b>X</b>
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			<b>X</b>
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			<b>X</b>
<b>IFRIC 12</b>	Service Concession Arrangements			<b>X</b>
<b>IFRIC 13</b>	Customer Loyalty Programmes			<b>X</b>
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			<b>X</b>
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			<b>X</b>

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2013		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			<b>X</b>
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			<b>X</b>
<b>IFRIC 18</b>	Transfers of Assets from Customers			<b>X</b>
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			<b>X</b>
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			<b>X</b>
<b>SIC-7</b>	Introduction of the Euro			<b>X</b>
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			<b>X</b>
<b>SIC-12</b>	Consolidation - Special Purpose Entities			<b>X</b>
	Amendment to SIC - 12: Scope of SIC 12			<b>X</b>
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			<b>X</b>
<b>SIC-15</b>	Operating Leases - Incentives			<b>X</b>
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets			<b>X</b>
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			<b>X</b>
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			<b>X</b>
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			<b>X</b>
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			<b>X</b>
<b>SIC-32</b>	Intangible Assets - Web Site Costs			<b>X</b>

SCHEDULE III  
MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG PARENT AND  
SUBSIDIARIES



**Vantage Equities, Inc. and Subsidiaries**  
**Schedule A – Financial Assets**  
**December 31, 2013**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income accrued
<b>AFS Investments:</b>				
Quoted:				
Government bonds	1,302,841,750	1,534,663,058	1,534,663,058	68,804,825
Corporate bonds	193,686,750	257,981,141	257,981,141	14,801,198
Equity securities	272,701,998 shares	1,302,483,827	1,302,483,827	33,743,756
Unquoted:				
Mutual fund	55,282,490 shares	1,597,680,533.00	1,597,680,533.00	-
Golf shares		570,000.00	570,000.00	-
Equity securities		239,312.00	239,312.00	-
<b>Financial Assets at FVPL:</b>				
Government bonds	100,000,000	122,477,283	122,477,283	8,807,278
Derivative asset:		.00		
Non-deliverable forward	\$ 2,500,000	1,762,500	1,762,500	
Warrants	3,220,000 shares	1,577,800	1,577,800	



**Vantage Equities, Inc. and Subsidiaries**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (Other than Related Parties)**  
**December 31, 2013**

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of period
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None to Report.

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

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule C - Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statements**  
**December 31, 2013**

<b>Name of Debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts Collected<sup>(i)</sup></b>	<b>Amounts Written-off<sup>(ii)</sup></b>	<b>Current</b>	<b>Non-Current</b>	<b>Balance at end of period</b>
E-Business Services, Inc.	256,505	99,435	(256,505)		99,435		99,435
Icurrencies	121,004				121,004		121,004
Philequity Dividend Yield Fund, Inc.	1,291,426	66,928			1,358,354		1,358,354

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

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

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule D - Intangible Assets - Other Assets**  
**December 31, 2013**

Description <sup>(i)</sup>	Beginning Balance	Additions at Cost <sup>(ii)</sup>	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) <sup>(iii)</sup>	Ending Balance
Goodwill	₱3,654,985	₱-	₱-	₱-	₱-	₱3,654,985
Software and website costs	₱ 3,220,609	₱ 359,181	₱ 3,359,303	-	-	₱ 220,487

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

<sup>(ii)</sup> For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

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

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule E - Long-Term Debt**  
**December 31, 2013**

Title of issue and type of obligation <sup>(i)</sup>	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet <sup>(ii)</sup>	Amount shown under caption "Long-Term Debt" in related balance sheet <sup>(iii)</sup>	Interest Rate %	Maturity Date
None to report					

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

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

<sup>(iii)</sup> Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule F - Indebtedness to Related Parties**  
**(included in the consolidated financial statement of position)**  
**December 31, 2013**

Name of Related Parties <sup>(i)</sup>	Balance at beginning of period	Balance at end of period <sup>(ii)</sup>
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None to Report

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

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

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule G - Guarantees of Securities of Other Issuers**  
**December 31, 2013**

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

None to Report

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

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule H - Capital Stock**  
**December 31, 2013**

(Absolute numbers of shares)

Title of Issue <sup>(i)</sup>	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties <sup>(ii)</sup>	Directors, officers and employees	Others <sup>(iii)</sup>
Common	2,250,000,000	2,235,390,633	None to Report	None to Report	261,602,749	None to Report

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

<sup>(ii)</sup> Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

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

COVER SHEET

EXHIBIT "B"

AS0920-07059

SEC Registration Number

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

(Fund's Full Name)

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

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

MARIBEL E. BERE (Contact Person)

620-2305 (Fund Telephone Number)

12 31 Month Day (Calendar Year)

17-Q (Form Type)

03 31 14 Month Day Year Period Ended

INVESTMENT HOLDING

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

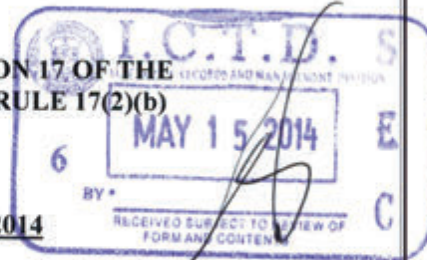
Cashier

STAMPS

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



1. For the quarterly period ended March 31, 2014
2. SEC Identification Number AS-092-07059
3. BIR Tax Identification No. 002-010-620
4. Exact name of registrant as specified in its charter.  
VANTAGE EQUITIES, INC.
5. Province, Country or other jurisdiction of Incorporation or Organization:  
Philippines
6.  (SEC Use Only)  
Industry Classification Code

Address of Principal Office:

Unit 2004A East Tower, Philippine Stock Exchange Centre,  
Exchange Road, Ortigas Center, Pasig City

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	2,099,791,133
	(Net of Treasury Shares of 135,599,500)

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

11. Check whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes [X] No [ ]

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

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

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

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

#### Financial Highlights

In Millions	Unaudited March 31, 2014	December 31, 2013	Audited December 31, 2012
<b>Balance Sheet</b>			
Assets	7,749	7,451	7,285
Liabilities	356	578	1,193
Stockholders' Equity	7,393	6,873	6,632
Book Value per Share	3.31	3.07	2.97
<b>Income Statement</b>			
Revenues	237	1,188	1,059
Expenses	119	516	524
Other Income / (Charges)	(14)	(42)	35
Net Income	104	630	570
Earnings per Share	0.04	0.28	0.26

#### Results of Operations for the Quarter Ended March 31, 2014

The Company posted a consolidated net income of Php 104 million as of the first quarter of 2014 lower by 69% compared to same period last year of Php 338 million. On a per share basis, the company earned 0.04 centavos compared to 0.15 centavos for the periods under review.

Equities in Emerging Markets like the Philippines rebounded sharply in the 1Q14 after being sold down to end 2013. This was despite most foreign research houses calling for our market to experience more declines and for the peso to keep depreciating. It looks as if fund flows rotated out of Developed Markets and into markets that became cheap after the selloff. Philippines especially outperformed since it was one of the worst hit in 2013. We can see this reflected in the performance of the S&P 500 and MSCI World Index, registering gains of 1.3% and 0.8% respectively. Meanwhile, the PHISIX gained 9.1% and Vantage outperformed this, gaining 11.9% for the 1Q.

In Fixed Income, activity was muted as all eyes are still on the fed and tapering. The local bond market was quiet during the 1Q. With the threat of rising interest rates sooner rather than later, market participants were reluctant to add to risk positions and we saw yields moving higher as a result. The 10yr benchmark yield rose 65bp in the 1Q, while the 25yr benchmark yield rose 21bp. The benchmark HSBC Local Bond Index gained 1% while the Company’s portfolio lost 1.3% in 1Q14.

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

#### **eBusiness Services, Inc. (“eBiz”)**

eBiz continues to achieve record money transfer volume, hitting over 1.8 million transactions worth in excess of USD 380 million in 1Q 2014. Money transfer revenues grew 18% Y/Y to P89.07million due to strong transaction volume growth and a more stable USD/PHP. The growth in money transfer revenues was complemented by an even stronger growth in the Company’s foreign exchange operations which increased by 47% Y/Y to P31.89 million from P21.76 million in 1Q 2013, and sustained revenue from other products of P3.57 million in 1Q 2014. Meanwhile, the Company’s operating expenses rose 6% Y/Y to P75.78 million from P71.71 million in 1Q 2013. After provisions and taxes, eBiz posted a net income of P33.98 million in 1Q 2014, up by 73% from Php19.69

million in 1Q 2013.

**Yehey! Corporation (“Yehey”)**

Increase in total revenue of 64.48% is significantly caused by the increase of Php3.7M in digital PR and Php2.5M in web development and maintenance. Yehey! was also able to manage its expenses as demonstrated in the decrease in its cost of services by 27% and general and administrative expenses by 2%. As a result net income increased by Php2.6 million from a net loss during the same period last year

**Philequity Management, Inc. (“PEMI”)**

1Q14 resulted in higher net subscriptions of P482.33 million largely in part from a strong rally of the Philippine stock market from YE2013. The launching of Philequity Dividend Yield Fund was the leading driver for subscriptions which took up P 299.18 million or a 62.03 percent share of total net subscriptions. Total assets under management increased by 25.24 percent from P 8.64 billion in 4Q13 to P 10.82 billion in 1Q14 mainly due to the Company’s appointment as a local equity manager for the Government Service Insurance System and the launching of Philequity Dividend Yield Fund.

**Key Performance Indicators**

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

	March 31, 2014	December 31, 2013
Current Ratio <sup>1</sup>	790.85%	467.67%
Assets to Equity <sup>2</sup>	104.82%	108.42%
Liabilities to Equity <sup>3</sup>	4.82 %	8.42%
Return on Average Assets <sup>4</sup>	1.37%	8.25%
Return on Average Equity <sup>5</sup>	1.46%	9.33%

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

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

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

Income Statement items – three month period ending 31-March-2014 versus 31-March-2013

*17.94% increase in money transfer service*

Resulted from strong growth in money transfer transactions.

*518.97% increase in internet sales and services*

Significant increase in digital PR and web development and maintenance services

*46.44% increase in money changing and foreign exchange*

Brought by strong peso value against US dollar

*88.14% increase in mutual fund income*

Mainly due to increase in assets under administration

*36.95% decrease in interest income*

Factored by maturity of SMIC CLN note in 3Q of 2013

*100.28% decrease in trading gain/loss*

Lesser selling transactions of equity securities due to decrease in market price

*296.14% increase in other income*

Caused by increase in dividend income

*22.53% increase in cost of services and sales*

Primarily due to increase in commission expense which corresponds to increase in money transfer revenue

*74.71% decrease in interest and bank charges*

Primarily due to lower volume of US dollar denominated loans from banks

#### Balance Sheet items – March, 2014 versus end 2013

*32% decrease in loans and receivables*

Primarily lesser receivable from Western Union

*308% increase in financial assets at FVPL*

Purchase of debt securities

*405% increase in prepaid taxes and other current assets*

Largely due to creditable withholding taxes and increase in prepaid rent

*44% decrease in accounts payable and accrued expenses*

Due to lower payable to sub-agents and brokers

## **PART II – OTHER INFORMATION**

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

After consideration of the result of its impact evaluation, using the outstanding balances of financial statements as of 31 December 2012, the company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2013 annual financial reporting;


It shall conduct in early 2014 another impact evaluation using the outstanding balances of financial statements as of 31 December 2013.

**SIGNATURES**


Pursuant to the requirements of the Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Pasig on May 5, 2014.

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
Issuer

By:



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



**MARIBEL E. BERE**  
Group Comptroller

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

	Unaudited March 31, 2014	Audited December 31, 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	1,567,346,505	1,508,355,073
Loans and Receivables – net (Note 8)	709,696,688	1,047,121,803
Financial Assets at Fair Value through profit or loss (FVPL) (Note 9)	513,252,311	125,817,583
Prepaid taxes and other current assets (Note 11)	22,046,168	4,366,603
<b>Total Current Assets</b>	<b>2,812,341,672</b>	<b>2,685,661,062</b>
<b>Noncurrent Assets</b>		
Available-for-sale securities (Note 10)	4,874,148,760	4,693,378,559
Investment in associates & JV– net	119,228	119,228
Deferred Tax Assets	1,523,849	-
Goodwill	3,654,985	3,654,985
Property and equipment – net (Note 12)	35,766,209	37,823,332
Retirement Asset	-	4,758,107
Other noncurrent assets - net (Note 13)	21,551,659	25,645,239
<b>Total Noncurrent Assets</b>	<b>4,936,764,690</b>	<b>4,765,379,450</b>
	<b>7,749,106,362</b>	<b>7,451,040,512</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 14)	301,227,899	535,170,891
Notes Payable	-	-
Income tax payable	54,381,243	39,095,270
Other current liabilities	-	-
<b>Total Current Liabilities</b>	<b>355,609,142</b>	<b>574,266,161</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities	2,146,518	744,558
Accrued Retirement Costs	(1,293,241)	3,464,867
Asset Retirement Obligation	-	-
<b>Total Noncurrent Liabilities</b>	<b>853,277</b>	<b>4,209,425</b>
	<b>356,462,419</b>	<b>578,475,586</b>
<b>Stockholders' Equity</b>		
Equity attributable to equity holders of the parent:		
Capital stock – P1 par value		
Authorized – 2,250,000,000		
Issued – 2,235,390,633	2,235,390,633	2,235,390,633
Stock Issuance Cost of a subsidiary	-	-
Cumulative net unrealized gain on change in fair value of available-for-sale investments	1,003,626,172	687,843,604
Retained earnings	4,036,175,970	3,949,471,894
Remeasurement Losses on Retirement Plan	807,770	807,770
Treasury Stocks	(190,460,934)	(190,460,934)
Minority Interest	307,104,332	189,511,959
<b>Total Stockholders' Equity</b>	<b>7,392,643,943</b>	<b>6,872,564,926</b>
	<b>7,749,106,362</b>	<b>7,451,040,512</b>

*See accompanying Notes to Financial Statements*

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

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>REVENUES</b>				
Money transfer service	97,531,833	82,697,583	97,531,833	82,697,583
Equity in net earnings of associates	-	-	-	-
Internet service and sales	8,039,926	1,298,924	8,039,926	1,298,924
Money changing and foreign exchange	64,823,064	44,266,543	64,823,064	44,266,543
Interest income	23,538,125	37,330,462	23,538,125	37,330,462
Trading Gain/Loss	(722,898)	261,543,367	(722,898)	261,543,367
Income from Mutual Fund	36,555,630	36,526,895	36,555,630	36,526,895
Others	20,092,396	5,072,052	20,092,396	5,072,052
	<b>249,858,076</b>	<b>468,735,826</b>	<b>249,858,076</b>	<b>468,735,826</b>
<b>EXPENSES</b>				
General and administrative expenses (Note 15)	83,639,932	78,516,505	83,639,932	78,516,505
Cost of services and sales	43,444,112	35,456,506	43,444,112	35,456,506
Depreciation and amortization	3,952,585	3,921,460	3,952,585	3,921,460
	<b>131,036,629</b>	<b>117,894,471</b>	<b>131,036,629</b>	<b>117,894,471</b>
<b>INCOME FROM OPERATIONS</b>	<b>118,821,447</b>	<b>350,841,355</b>	<b>118,821,447</b>	<b>350,841,355</b>
<b>OTHER INCOME (CHARGES)</b>				
Interest and bank charges – net	(2,331,355)	(9,219,217)	(2,331,355)	(9,219,217)
Others	-	3,187,624	-	3,187,624
	<b>(2,331,355)</b>	<b>(6,031,593)</b>	<b>(2,331,355)</b>	<b>(6,031,593)</b>
<b>INCOME BEFORE EXTRA-ORDINARY</b>				
Income/Expense	116,490,092	344,809,762	116,490,092	344,809,762
Extra-Ordinary Income/(Exp.)	3,852,597	-	3,852,597	-
<b>INCOME BEFORE INCOME TAX</b>	<b>120,342,689</b>	<b>344,809,762</b>	<b>120,342,689</b>	<b>344,809,762</b>
<b>PROVISION FOR INCOME TAX</b>				
Current	16,343,172	6,432,428	16,343,172	6,432,428
Deferred	435	-	435	-
	<b>16,343,607</b>	<b>6,432,428</b>	<b>16,343,607</b>	<b>6,432,428</b>
<b>NET INCOME (LOSS)</b>	<b>103,999,082</b>	<b>338,377,334</b>	<b>103,999,082</b>	<b>338,377,334</b>
Attributable to:				
Equity holders of the parent (Note 18)	86,704,076	323,444,464	86,704,076	323,444,464
Minority interests	17,295,006	14,932,870	17,295,006	14,932,870
	<b>103,999,082</b>	<b>338,377,334</b>	<b>103,999,082</b>	<b>338,377,334</b>
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent</b>	<b>0.04</b>	<b>0.15</b>	<b>0.04</b>	<b>0.15</b>

*See accompanying Notes to Financial Statements*

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

For the Semester Ended (Unaudited)  
**March 31, 2014**      March 31, 2013

<b>CAPITAL STOCK - 1 par value</b>		
Authorized - 2,250,000,000 shares		
Issued - 2,235,390,633 shares		
Balance at beginning of year	2,235,390,633	2,235,390,633
Stock issuance cost of a subsidiary	-	-
Stock dividends issued	-	-
Balance at end of period	2,235,390,633	2,235,390,633
<b>CUMULATIVE NET UNREALIZED GAIN ON CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES</b>		
Balance at beginning of year	687,843,604	1,083,273,387
Unrealized Gain/(loss)	315,782,568	569,561,742
Balance at end of period	1,003,626,172	1,652,835,129
<b>REMEASUREMENT GAINS (LOSSES) ON RETIREMENT PLAN</b>		
Balance at beginning of year	807,770	-
Comprehensive income	-	-
Balance at end of period	807,770	-
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of year	3,949,471,894	3,347,493,258
Net income (loss)	103,999,082	338,377,334
Share in Minority Interest	(17,295,006)	(14,932,869)
Balance at end of period	4,036,175,970	3,670,937,723
<b>TREASURY SHARES (Note 15)</b>		
	(190,460,934)	(188,520,838)
<b>MINORITY INTEREST</b>		
Balance at beginning of year	189,511,959	154,618,257
Additional non-controlling interests in subsidiaries	100,297,367	-
Total income and expenses recognized during the period	17,295,006	14,932,870
Balance at end of period	307,104,332	169,551,127
	<b>7,392,643,943</b>	<b>7,540,193,774</b>

*See accompanying Notes to Financial Statements*



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

	<b>For the Semester Ended (Unaudited)</b>	
	<b>3/31/2014</b>	<b>March 31, 2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before Tax	120,342,689	344,809,762
Depreciation and amortization	3,952,585	3,921,460
Interest expense	(2,331,351)	9,219,217
Dividend income	(16,966,790)	(1,453,377)
Interest income	(23,538,125)	(37,330,462)
Operating income before working capital changes	81,459,008	319,166,600
Changes in operating assets and liabilities:		
Decrease (increase):		
Receivable	313,700,211	(247,217,676)
Prepaid expenses and other current assets	(17,679,565)	(14,267,374)
Retirement asset	4,758,107	-
Increase (decrease) in accounts payable and other current liabilities	(241,282,586)	156,145,331
Net cash provided by (used for) operations	140,955,175	213,826,881
Interest paid	2,331,351	(9,219,217)
Income tax paid		
Dividends received	16,966,790	1,453,377
Interest received	47,263,029	50,968,517
Net cash provided by (used in) operating activities	207,516,345	257,029,558
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Investment and advances	-	-
Property and equipment	(1,895,460)	(1,812,233)
Decrease (increase) in AFS/HTM	(568,204,929)	(572,864,571)
Increase (decrease) in net unrealized gain on AFS	315,782,568	569,561,744
Decrease (increase in) other assets	5,495,540	851,480
Net cash provided by (used in) investing activities	(248,822,281)	(4,263,580)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Increase (decrease) in minority interest	100,297,368	-
Acquisition of Treasury Shares	(0)	-
Payment of loans	-	(264,426,001)
Cash used in financing activities	100,297,368	(264,426,001)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>58,991,432</b>	<b>(11,660,023)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,508,355,073</b>	<b>1,369,141,777</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,567,346,505</b>	<b>1,357,481,754</b>

*See accompanying Notes to Financial Statements*

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General Information**

Corporate Information

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

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

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

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

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

Name of Subsidiaries	Place of Incorporation	Percentage of Ownership	
		1Q2014	2013
e-Business Services, Inc. (e-Business)	Philippines	100.00	100.00
eBIZ Financial Services, Inc. (eBIZ Financial)*	Philippines	100.00	100.00
iCurrencies, Inc. (iCurrencies)	Philippines	100.00	100.00
Philequity Balanced Fund, Inc.	Philippines	100.00	100.00
Philequity Foreign Currency Fixed Income Fund, Inc.	Philippines	100.00	100.00
Philequity Dividend Yield Fund, Inc. (PDYF)	Philippines	76.54	100.00
Yehey! Corporation (Yehey!)	Philippines	66.95	66.95
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.

#### PBF

PBF was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on May 6, 2008 under the Philippine Investment Company Act (ICA) (Republic Act 2629) as an open-end mutual fund company. PBF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of December 31, 2013, PBF has not yet launched its capital shares to the public.

#### PFCFIF

PFCFIF incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on April 10, 2008 under the Philippine ICA as an open-end mutual fund company. PFCFIF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of December 31, 2013, PFCFIF has not yet launched its capital shares to the public.

#### PDYF

PDYF was incorporated in the Philippines, and was registered with Securities and Exchange Commission (SEC) on August 2, 2012 under Philippine ICA as an open-end investment company. PDYF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of diversified portfolio of equity securities. On January 22, 2014, the Fund officially launched its capital shares to the public.

#### Yehey!

Yehey! is engaged in the business of internet online related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing

web sites. It is also engaged in pre-production and post-production work on web sites in internet and sell and market said products in the form of advertising of finished products in the domestic or export market.

#### PEMI

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

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

### Statement of Compliance

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

### Basis of Consolidation

The financial statements of the subsidiaries are prepared based on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income, expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other voting shareholders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;

- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

#### 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 and 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 equity attributable to the Parent Company. 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 are accounted for as equity transactions, whereby the difference between the consideration paid and the share in the net assets acquired is recognized in equity.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2013.

Except as otherwise indicated, the following new and amended standards and interpretations do not have any impact on the accounting policies, financial position or performance of the Group:

#### New and Amended Standards and Interpretations

- Philippine Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
- PFRS 11, *Joint Arrangements*

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

#### PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

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

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

The amendments affect disclosures only and have no impact on the Group's financial position or performance. The Group does not have financial instruments that are set-off in accordance with PAS 32 or that are subject to an enforceable master netting arrangement or similar agreement. However, these amendments would be considered for future transactions.

#### *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) No. 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27. This standard does not have significant impact on the financial position or performance of the Group. Refer to Note 3 for the significant judgment made by management in identifying entities for consolidation.

#### *PFRS 12, Disclosure of Interests in Other Entities*

This standard sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

#### *PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. Its disclosure requirements need not be applied to comparative information provided for periods before initial application of PFRS 13.

Application of PFRS 13 has no material impact on the fair value measurements of the Group. Fair value hierarchy disclosures are provided in Note 5.

#### *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*

Amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

#### *PAS 19, Employee Benefits (Revised)*

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

rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The adoption of PAS 19 (Revised), which requires retrospective application, resulted in the restatement of previously reported retirement obligation of the Group. The adjustment amounts were determined by the Group with the assistance of an external actuary. The Group will retain the remeasurements recognized in OCI and will not transfer these to other items in equity.

As at and for the year ended December 31, 2013, the effect of the application of PAS 19 (Revised) resulted in a decrease in retirement asset of P2.01 million, a decrease of P0.53 in retirement liability, a decrease of P0.57 million in remeasurement gains on retirement plan and an increase of P1.46 million in 'Retirement expense'.

In 2013, the presentation of 'Service fees' which pertain to consultancy fees and commissions paid to agents for the subscription of shares of the mutual funds being managed by PEMI is now under 'Cost of services and sales'. In prior years, these were previously presented as part of legal and professional fees under 'General and administrative expenses'.

The change in presentation did not have an impact on the consolidated statements of financial position and to the net income.

#### Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Foreign Currency Transactions

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

##### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best

use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

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

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of equity and debt financial instruments that require delivery within the time frame established by regulation or convention in the market place are recognized on the trade date and settlement date, respectively. Deposits, loans and receivables, and accounts payable are recognized when cash is received by the Group or advanced to the borrowers.

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

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. As of March 31, 2014 and December 31, 2013, the Group does not have HTM investments.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an 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 consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.



### *Financial instruments at FVPL*

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

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

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

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

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

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

### *Derivatives classified as FVPL*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the profit or loss in the consolidated statement of comprehensive income under 'Trading and investment securities gains - net'.

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

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

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

### *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments and fixed

maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as 'AFS investments' or 'Financial assets designated at FVPL'.

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

#### *AFS investments*

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

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

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

#### *Accounts payable and other current liabilities*

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Accounts payable and other current liabilities', or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the 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 cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

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

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

#### 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *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 consolidated 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 'Provision for credit and impairment losses' in the consolidated statement of income.

If the Group determines that no objective evidence of impairment exists for an 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 such 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 as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

#### *AFS investments*

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

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

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

increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

#### Investments in an Associate and a Joint Venture

##### *Investment in an associate*

Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investments in associates are 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 in the net assets of the associate, less any allowance for impairment losses. 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 investment. 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 the associate are eliminated to the extent of the interest in the associate.

##### *Investment in a joint venture*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The financial statements of the associate and joint venture are prepared for the same reporting period as the Group, using consistent accounting policies. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investments at its fair value. Any difference between the current amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization 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 expense 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.

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

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

The useful lives, residual values, and depreciation and amortization method are reviewed periodically to ensure that the periods, residual values, and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged to the 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 the 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 Website and Investments in Associate and a Joint Venture

The Group assesses at each reporting date whether there is an indication that a nonfinancial 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 assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset

is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the investment in PEMI, cash-generating unit to which the goodwill relates. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the investment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects management's estimate of the risks specific to the investment.

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

The Group performs its annual impairment test of goodwill at the consolidated statement of financial position date.

#### 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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sale taxes or duties.

The following specific recognition criteria must also be met before revenue is recognized:

##### *Trading and investment securities gains - net*

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

##### *Interest income*

Interest income on interest-bearing placements is recorded on a time proportion basis taking into account the effective yield of the asset. Interest on financial instruments is recognized based on the effective interest method of accounting.

##### *Dividend income*

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

##### *Service income/Commission income*

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

funds' common shares.

*Money transfer service income*

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

*Share in foreign exchange differential*

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

*Money changing gain*

Money changing gain is related to the Group's retail foreign exchange operations in the branches. Income from money changing is recognized when the money exchange service has been rendered.

*Web development and production*

Revenue is recognized based on percentage completion method. The stage of completion is assessed by reference to the stage of completion of the development, including completion of services provided for post-delivery service support.

*Media Sales, Portal and E-Commerce Revenues*

Revenue is recognized at the time that services are rendered.

*Digital Public Relations (PR), Digital Strategy Revenues*

Revenue is recognized proportionately based on the tenor of project.

*Income from business partners*

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

Expense Recognition

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

*Cost of services and sales*

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

*General and administrative expenses*

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

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense which the Group incurs in connection with borrowing of funds. Borrowing costs are calculated using the effective interest method in accordance with PAS 39.

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 reassessment 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 reassessment 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 lessor*

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

#### *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 a funded, noncontributory defined benefit retirement plan and the Parent Company and Yehey! have unfunded, noncontributory defined benefit retirement plans covering substantially all of their regular employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise of the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when only when reimbursement is virtually certain.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### 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 liability method, on all temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) 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. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of MCIT and NOLCO to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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 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. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.

#### Equity

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

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

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

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

#### Basic/Diluted Earnings Per Share

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

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of December 31, 2013 and 2012, the Parent Company does not have dilutive potential common shares.

#### Provisions

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

#### Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the probability of an outflow of

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

#### Events After the Reporting Period

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

#### Dividends on Common Shares

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

#### Segment Reporting

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

#### Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to, except as otherwise indicated, have an impact on disclosures in the Group's financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

#### *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Group's financial position or performance.

#### *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

#### *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an

investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment will not impact the financial position or performance of the Group.

#### Philippine Interpretation 21, *Levies* (Philippine Interpretation 21)

Philippine Interpretation 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Philippine Interpretation 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that Philippine Interpretation 21 will have material financial impact in future financial statements.

#### PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. These amendments would be considered for future novations.

#### PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group as it does not have contributions from employees or third parties to defined benefit plans.

#### PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39, *Financial Instruments: Recognition and Measurement* in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship;

allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date and may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

#### *Philippine Interpretation 15, Agreement for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

#### *Annual Improvements to PFRSs (2010-2012 cycle)*

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs as follow:

#### *PFRS 2, Share-based Payment - Definition of Vesting Condition*

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

#### *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group does not expect that this amendment will have material financial impact in future financial statements.

#### *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*PFRS 13, Fair Value Measurement - Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

*PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The Group does not expect that this amendment will have material financial impact in future financial statements.

*PAS 24, Related Party Disclosures - Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the

date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

*Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

*PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRSs'*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

*PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

*PFRS 13, Fair Value Measurement - Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

*PAS 40, Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

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### 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) *Assessment of control over investees*

The determination on whether the Parent Company has control over the investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee; (b) exposure, or right, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Parent Company has power over the investee, the Parent Company assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.

d) *Joint arrangements*

The Parent Company has investments in joint arrangements. The Parent Company has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreement for all relevant activities.

e) *Fair value of financial instruments*

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

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

f) *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.

g) *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.

h) *Revenue and cost recognition*

Selecting an appropriate revenue recognition method requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment: In determining whether the sales price are collectible, the Group considers the initial and continuing investments by the buyer to demonstrate the buyer's commitment to pay; and
- stage of completion of the project: The Group recognizes only revenue from projects that are substantially complete.

The Group's revenue from and cost from web development services are recognized based on the percentage-of-completion method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project.

Estimates

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

a) *Fair value of financial instruments*

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

b) *Estimation of allowance for credit losses*

The Group maintains an allowance for credit losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using specific assessment and collective approaches. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

As of March 31, 2014 and December 31, 2013, the carrying value of receivables and the related allowance for credit losses are disclosed in Note 8.

c) *Impairment of AFS investments*

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease of more than 20.00% of the original cost of investment, and 'prolonged' as longer than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price for quoted equity securities and future cash flows and discount factors for unquoted equity securities.

The Group treats AFS debt investments as impaired when an objective evidence of impairment exists. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

As of March 31, 2014 and December 31, 2013, the carrying values of AFS investments are disclosed in Note 10. The Group recognized impairment losses amounting to P0.24 million on unquoted AFS equity investments in 2013.

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

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

There is no change in the estimated useful lives of property and equipment, software and website costs during the year. As of December 31, 2013 and 2012, the carrying values of property and equipment, and software and website costs are disclosed in Note 13 and Note 14, respectively.

e) *Impairment of nonfinancial assets (except goodwill)*

PAS 36 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. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

As of March 31, 2014 and December 31, 2013, the Group's property and equipment and software do not have any indication of impairment.

f) *Estimation of retirement costs*

The determination of the Group's retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the assumptions may materially affect the retirement obligation.

- g) *Recognition of deferred tax assets*  
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets to be recognized, based upon likely timing and level of future taxable income.
- h) *Estimation of legal contingencies*  
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon thorough analysis of potential results. Based on the management's assessment, there are no legal claims that require recognition in the Group's consolidated financial statements as of March 31, 2014.

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#### 4. Financial Risk Management Objective and Policies

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

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

##### Credit Risk

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

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

As of March 31, 2014 and December 31, 2013, the Group's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

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

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

##### 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 stressful 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 investments. These placements are maintained to meet maturing obligations.

The Group has committed lines of credit that it can access to meet its liquidation needs. As of March 31, 2014 and December 31, 2013, the Group has availed credit line with various banks amounting to P945.00 milion.

### Market Risk

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

### *Interest Rate Risk*

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

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

### *Foreign Currency Risk*

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

### *Equity Price Risk*

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

### Capital Management

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

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

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

As of March 31, 2014 and December 31, 2013, the Group has no interest-bearing long-term debt. Thus, the debt-to-equity ratio is 0.00:1.00 as of March 31, 2014 and December 31, 2013.

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## 5. **Fair Value of Financial Assets**

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

### *Cash and Cash Equivalents, Receivables (excluding Unquoted Debt Securities), Accounts Payable and Other Current Liabilities and Notes Payable*

The carrying amounts approximate fair values due to the short-term nature of these financial instruments.

#### *AFS Investments and Financial Assets at FVPL*

Fair values are generally based on quoted market prices. For the Group's equity and fixed income investments, fair values are determined based on quoted shares in the PSE and fixing rates of the Philippine Dealing Exchange, respectively. If market prices are not readily available or if the securities are not traded in an active market, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

#### *Unquoted Debt Securities (included under Loans and receivables)*

Fair values of unquoted debt securities are estimated using the discounted cash flow methodology using the interpolated risk-free rate plus credit spread.

#### *Derivative Instruments (included under Financial Assets at FVPL)*

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative instruments. For the stock warrants, fair values are determined based on the quoted bid price.

#### Fair value hierarchy

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

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

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

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

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## 6. Segment Information

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

- a. Investment holdings  
The investment holdings segment deals in the acquisition and sale of financial instruments.
- b. Remittance services  
The remittance services segment provides the infrastructure and services as the largest direct agent for money transfer of Overseas Filipino Workers. Beyond the remittance business, this segment facilitates the fulfillment of e-commerce transactions and serves as a payment platform for any Business to Business (B2B) or Business to Customers (B2C) initiative.
- c. Internet online-related products and services  
This segment engages 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; to engage in other pre-production and post-production work on web sites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.
- d. Mutual fund management  
This segment deals in the management of mutual funds.

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment income before tax. Segment income before tax is based on

the same accounting policies as the consolidated net income except that intersegment revenues are eliminated only at the consolidation level. Transfer pricing between segments are on arm's length basis in a manner similar to transactions with third parties.

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

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

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

## 7. Cash and Cash Equivalents

This account consists of:

	March 31, 2014	December 31, 2013
Cash on hand and in banks	301,764,629	341,781,632
Short-term placements	1,265,581,875	1,027,360,145
<b>Total</b>	<b>1,567,346,505</b>	<b>1,369,141,777</b>

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

## 8. Loans and receivables

This account consists of:

	March 31, 2014	December 31, 2013
Due from:		
Western Union	352,581,432	674,910,014
Broker	12,796,436	45,703,668
Sub-agents	14,600,000	14,600,000
Business partners	7,023,906	3,592,463
Advances	252,020,510	252,020,510
Receivable from advertising and web development services	40,580,632	40,232,466
Accrued interest	15,201,174	22,211,750
Trade receivable	14,734,869	21,463,164
Receivable from related parties and employees	5,158,923	3,308,969
Others	40,331,299	13,353,063
	<b>755,029,182</b>	1,091,396,067
Less allowance for credit losses	45,332,494	44,274,264
	<b>709,696,688</b>	1,047,121,803

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 broker pertains to the amount collectible for the sale of quoted equity securities. This is usually collectible within three trading days following the settlement convention.

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.

In February 2013, the Parent Company provided funds as deposit for future stock subscription to Vantage Equities Exchange Traded Fund, Inc. (ETF), amounting P252.02 million presented as 'Advances'. These 'Advances' will be applied as payment for the capital stock of ETF upon issuance of shares.

Unquoted debt securities represent investments in a fixed rate corporate note (FCN) issued by Puregold Price Club, Inc. amounting to P150.00 million and a credit linked note (CLN) amounting to US\$7.81 million (P330.57 million). The FCN bears interest of 5.73% and will mature on October 22, 2017. On April 24, 2013, the Group preterminated its investment in FCN.

The CLN is a global bond issued by SM Investment Corporation (SMIC) to ING Bank and bears a fixed annual interest rate of 5.00%. The CLN includes an embedded credit default swap, whose reference asset is a global bond issued by SMIC to ING Bank, and an embedded currency swap where the issuer agreed to pay the principal and interest cash flows at the rate of P42.34 to US\$1.00 (see Note 9 and 15). This security was held by the Group until maturity on July 20, 2013.

As of March 31, 2014, the Group does not hold any unquoted securities.

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

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

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## 9. Financial Assets at FVPL

This account consists of investments in:

	March 31, 2014	December 31, 2013
Held-for-trading		
Government bonds	505,573,961	122,477,283
Corporate securities	-	-
Currency forward contracts	7,678,350	3,340,300
	<b>513,252,311</b>	<b>125,817,583</b>



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## 10. Available-For-Sale Investments

This account consists of investments in:

	March 31, 2014	December 31, 2013
Debt securities	1,593,873,593	1,792,644,199
Equity securities	1,534,942,220	1,303,293,139
Mutual funds	1,745,572,259	1,597,680,533
	4,874,388,072	4,693,617,871
Allowance for impairment losses	(239,312)	(239,312)
	4,874,148,760	4,693,378,559

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## 11. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2014	December 31, 2013
Prepaid expenses	7,717,518	1,450,423
Input value-added tax	3,988,194	1,171,410
Creditable withholding tax	6,754,730	1,620,596
Others	3,585,727	124,174
	22,046,168	4,366,603

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## 12. Property and Equipment

Details of this account are presented below:

	March 31, 2014	December 31, 2013
Cost	326,308,183	319,114,539
Less: Accumulated Depreciation	(290,541,973)	(281,291,207)
	35,766,209	37,823,332

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## 13. Other Noncurrent Assets

This account consists of:

	March 31, 2014	December 31, 2013
Receivable from sale of investments	96,592,600	96,592,600
Rental and other deposits	1,309,086	22,423,245
Software and website - net	19,748,754	220,487
Others	861,332	3,223,922
	118,511,771	122,460,254
Less: Allowance for credit losses	96,960,112	96,815,015
	21,551,659	25,645,239

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

This account consists of:

	March 31, 2014	December 31, 2013
Due to sub-agents and brokers	196,032,423	418,121,562
Accrued expenses	60,432,548	51,134,644
Trade	21,014,632	44,677,203
Others	25,327,590	21,237,482
	302,807,193	535,170,891

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 (Note 8).
- Accrued expenses consists of accruals for profit sharing costs, vacation leave and sick leave conversion, insurance, security services, cash delivery services, utilities, media buys and others.
- Trade payables include amounts due for purchase of government bonds.
- Other payables include withholding taxes payable, documentary stamp tax payable, merchant deposits, sundry credits and others.

Trade payables, accrued expenses and other payables are all short-term in nature. These are settled within one year after the reporting period.

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#### 15. General and Administrative Expenses

This account consists of:

	March 31, 2014	March 31, 2013
Salaries, wages and allowances	32,812,118	27,927,057
Rent and utilities	18,366,720	20,311,242
Outside services	15,657,433	15,465,674
Professional fee	1,207,469	1,721,247
Office supplies	2,945,115	2,584,991
Taxes and licenses	3,817,958	5,032,317
Transportation and travel	2,956,260	897,780
Representation	974,311	1,156,082
Advertising	1,159,456	371,761
Others	3,743,092	3,048,354
	83,639,932	78,516,505

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#### 16. Retirement Costs

The Parent Company, Yehey! and PEMI have unfunded, noncontributory defined benefit pension plans covering substantially all of their qualified employees. e-Business has a funded, noncontributory defined benefit pension plan. The funds of the plan of e-Business are being administered and managed by the Trust & Investment Services Group of Union Bank of the Philippines.

## 17. Equity

The details of this account as of March 31, 2014 and December 31, 2013 are shown below:

	March 31, 2014		December 31, 2013	
	Shares	Amount	Shares	Amount
Authorized shares (at par value*)	2,250,000,000	P2,250,000,000	2,250,000,000	2,250,000,000
Issued shares	2,235,390,633	2,235,390,633	2,235,390,633	2,235,390,633
Treasury stock	(135,599,500)	(190,460,934)	(135,599,500)	(190,460,934)
Outstanding shares	2,099,791,133	P2,044,929,699	2,099,791,133	P2,044,929,699

\*P1.00 par value per share

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

### a. Authorized Shares

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

### a. Stock Dividends

<u>Date of SEC Approval</u>	<u>Percentage</u>
January 12, 2009	25%

### c. Number of Shareholders

<u>Year End</u>	<u>Number of shareholders</u>
December 31, 2013	648
December 31, 2012	688
December 31, 2011	685

### *Dividend declaration of subsidiaries*

On November 23, 2012, the BOD and two-thirds (2/3) of the outstanding capital of PEMI approved and declared 300% stock dividends and approved the application for increase in authorized capital stock to accommodate the stock dividends. Total stock dividends declared amounted to P76.50 million (765,000 common shares).

On the same date, the BOD of PEMI approved the following resolutions, subject to the ratification by PEMI's shareholders in the next annual meeting and the approval of the SEC:

- The amendment of PEMI's Articles of Incorporation and By-Laws to increase its authorized capital stock from 500,000 to 1,500,000 common shares, with a par value of=100.00 per share.
- The subscription of =76.50 million out of the foregoing increase in authorized capital stock by way of stock dividends.
- The issuance of stock dividends to its stockholders of record on the 15<sup>th</sup> day counted from the approval by the SEC of the increase in authorized capital stock, 765,000 shares of stock of PEMI, which shares have an aggregate par value of P76.50 million to be distributed to the stockholders of PEMI as of November 23, 2012, provided that any fraction of a share shall be deemed to have not been issued. Any resulting fractional share shall be rounded

down to the nearest whole number.

The SEC approved the dividend declaration on June 5, 2013.

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#### 18. Related Party Transactions

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

Related party transactions with subsidiaries are eliminated in the consolidated financial statements. These transactions are based on terms similar to those offered to non-related parties and are settled in cash.

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#### 19. Basic/Diluted Earnings Per Share

	March 31, 2014	March 31, 2013	March 31, 2012
(a) Net income attributable to equity holders of the Parent Company	86,704,076	323,444,464	95,385,467
(b) Weighted average outstanding shares	2,099,791,133	2,100,535,133	2,100,535,133
(c) Basic/Diluted earnings (loss) per share (a/b)	0.04	0.15	0.20