SEC Number **168736**
File Number ______

EASYCALL COMMUNICATIONS PHILIPPINES, INC.
(Company's Full Name)

Mary Bachrach Building 25th St. corner A. C. Delgado St., Port Area Manila
(Company's Address)

(632) 754-8688 local 8351
(Telephone Number)

December 31
(Calendar Year Ending)

SEC Form 17-Q
Form Type

March 31, 2009
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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, 2009**

2. Commission identification number -**168736** 3. BIR Tax Identification No – **000-586-363**

4. Exact name of issuer as specified in its charter

   EASYCALL COMMUNICATIONS PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization

   METRO MANILA, PHILIPPINES

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

   2nd Floor Mary Bachrach Building, 25th St. corner
   A. C. Delgado St., Port Area, Manila **1080**

8. Issuer's telephone number, including area code
   (632) 754-8688 local 8351

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock issued and subscribed
Common Shares	91,929,975.shares

Exempt from registration under Section 6(11) of the Revised Securities Act and confirmed by SEC on January 15, 1992 and on subsequent dates.

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    PHILIPPINE STOCK EXCHANGE **Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the attached Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SUMMARY

For the first quarter ended March 31, 2009, EasyCall Communications Philippines, Inc. (the Company) arrived at a consolidated net loss of ₱0.68 million, compared to ₱1.15 million net income recorded on the same period last year. The decline in net income of 159% was primarily due to additional expenses incurred for Future Business Expansion of the company. Another contributor is ePerformax International net loss for 1st quarter where Easycall Communications Philippines, Inc. owns 3.8% Equity. Of the Company's ₱0.68 million consolidated net loss, equity in ePerformax International amounted to ₱0.23 million loss for this period.

During the first quarter of 2009, EasyCall E-Services Inc., a wholly owned subsidiary, recorded ₱ 3.68 million service revenue, an increased of 10% compared to the year ago level of ₱3.35 million. Consequently, cost of services also increased by 3% from ₱ 1.68 million for the first quarter of 2008 to P 1.73 million on the same quarter this year. The Internet segment's bottom line performance plunged with ₱0.63 million in net income compared to ₱0.15 million of last year. General and administrative (G&A) expenses this quarter amounted to ₱2.58 million a 50% increase from last year's level of 1.72 million. This increase can be mainly attributed to payment of legal expenses and other operating expenses that was incurred during the quarter.

The financial performance of its operating companies (i.e. eServe and ePerformax) is being assessed using the subsequent key financial ratios.

	EasyCall eServices,Inc.		**ePerformax International, Inc.**	
	Quarter ended 31 March 2009	One year ended 31 Dec 2008	**Quarter ended 31 March 2009**	One year ended 31 Dec 2008
Current Ratio	**1.17**	1.05	**0.99**	1.18
Gross Margin- Amt in Php000	**3,734**	6,431	**193,444**	320,596
Gross Profit Rate	**53.06%**	49.66%	**36.65%**	15.88%
Percentage of Operating Expenses to Sales	**84.37%**	48.05%	**30.57%**	9.61%
Profit Ratio	**17.14%**	2.26%	**(1.13%)**	6.75%

Current Ratio is calculated by dividing current assets by the current liabilities. Gross Margin is service revenues less cost of services (i.e., cost of leased line subscriptions for e-Serve; cost of services for e-Performax). Gross Profit Rate is arrived by dividing the gross margin amount computed above by the service revenues. Percentage of Operating Expense to Revenues is computed by dividing the total general and administrative expenses by the service revenues. Profit ratio is the outcome of dividing the net income over total sales.

REVENUES

During the first quarter of 2009, the Company's consolidated service income arrived at ₱3.68 million compared to the year ago level of ₱3.35 million. This 10% increase can be mainly attributed to additional Member Companies who avail of Leasedline this year. These revenues exclusively came from EasyCall eServices, Inc., a wholly owned subsidiary of the company.

COST AND EXPENSES

On the other hand Direct cost of services (i.e., cost of leased line subscriptions) also increased by 3% from ₱1.68 million from first quarter of 2008 to ₱1.73 million this quarter. This is a rational effect of the increased in service revenues. General and administrative expenses arrived at ₱2.56 million this quarter compared to ₱1.72 million last year or a 50% increase. This is primarily caused by legal and other operating expenses incurred during the quarter.

EQUITY IN NET EARNINGS OF AN ASSOCIATE

Based on the company's 3.8% interest on ePerformax International Inc., the Company recognized equity in net loss of ₱0.22 million for the first quarter of 2009.

OTHER INCOME

During first quarter this year, the company recognized other income of ₱ 0.17 million, a 57% decrease compared to last year's income of ₱0.39 million. This difference mainly came from interest on placement recorded last year.

CASH

Cash amounted to ₱9.36 million as of the end of first quarter of 2009 or a decrease of 48.7% from ₱18.26 million as of December 31, 2008. Major acquisition of IT equipments that transpired this year directly contributed to the decline of cash balance.

RECEIVABLES

Receivables totaled ₱ 9.24 million during the first quarter of 2009 compared to ₱ 8.30 million as of December 2008 or an 11.3% increase.

PREPAID EXPENSE AND OTHER ASSETS

Prepaid expenses arrived at P 1.46 million as of March 31, 2009 compared to P1.13 million for 2008 or an increase of 29.30%. This is primarily due to additional prepayments of subscription dues and annual maintenance this year.

INVESTMENTS

The investment amount arrived at P26M for the first quarter of 2009 compared P24.88 balance last December 31, 2008, the increase basically resulted from company's share in Cumulative Translation Adjustment from ePerformax International.

PROPERTY AND EQUIPMENT

The net value of property, plant and equipment increased by 2847.1%, from ₱0.25 million as of December 31, 2008 to ₱7.42 million by the end of first quarter of 2009. This increase is due to major acquisitions of IT equipments that happened this quarter.

CURRENT LIABILITIES

Total current liabilities declined from P5.04 million as of December 31, 2008 down to P3.98 million by the end of first quarter in 2009 or an equivalent of 21%, primarily on relation of the subsequent movements:

a. ***Accounts payable and accrued expenses*** – This account dropped by 3.8% from ₱3.05 million as of December 31, 2008 down to ₱2.93 million as of March 31, 2009 which primarily resulted from payment of some obligations that took event during the quarter.
b. ***Payable to related parties*** – Total payable to related parties decreased by 47.84% from ₱1.97 million last year down to ₱1.03 million as of March 31, 2009. The decrease is the effect of settlement of related party obligations that happened during the quarter.
c. ***Advances from Stockholders –*** Advances from Stockholders decreased by 31.82% from P32.84 million as of December 31, 2008 to P22.39 million for the quarter ended March 31, 2009. This decrease is the result of conversion of Advances from Stockholders to additional capital stock.

SHARE IN CUMULATIVE TRANSLATION ADJUSTMENT

This represents the Company's 3.8% share in cumulative translation adjustments of its associate, ePerformax International. The decrease of 75.7% from the balance of negative ₱1.79 million as of December 31, 2008 to negative ₱0.43 million by the end of March 2009 can be attributed to the movement of cumulative translation adjustments in the book of its associate, ePerformax International.

Discussions and Analysis of material event/s and uncertainties known to management that would have address the past and would have an impact on future operations of the following:

a. There are **NO** known trends, demands, commitments, event or uncertainties that will have an impact on the issuer's future liquidity.

b. There are **NO** known event/s that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. There are **NO** material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

d. There are **NO** material commitments for capital expenditures that occurred during the reporting period.

e. There are **NO** known trends, events or uncertainties that are expected to have material impact on net sales/revenues/income from continuing operations that occurred during the reporting period.

f. There are **NO** significant elements of income or loss that did not arise from the issuer's continuing operations that occurred during the reporting period.

g. There are **NO** seasonal aspects that had a material effect on the financial condition or results of operation.

PART II - OTHER INFORMATION

None

SIGNATURES

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 thereunto duly authorized.

ISSUER – EASYCALL COMMUNICATIONS PHILIPPINES, INC.

SOCORRO Z. NIRO | **Date May 13, 2009**
President

CARLO M. SEVERINO | **Date May 13, 2009**
Treasurer/Chief Information Officer

RENATO VICENTE R. MARTINEZ | **Date May 13, 2009**
General Manager

EASYCALL COMMUNICATIONS PHILIPPINES, INC. AND SUBSIDIARY

Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008,
For the First Quarter Ended March 31, 2009,
And Quarter Ended March 31, 2008

EASYCALL COMMUNICATIONS PHILIPPINES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS *(in Php)*

	31-Mar-09	31-Dec-08
	(Unaudited)	*(Audited)*
ASSETS		
Current Assets		
Cash (Note 4)	**9,362,534**	18,259,361
Receivables- net (Note 5)	**9,237,988**	8,303,239
Prepaid expenses (Note 6)	**1,463,168**	1,131,682
	20,063,690	27,694,282
Noncurrent assets classified as held for sale (Note 9)	**2,081,535**	2,081,535
Total current assets	**22,145,225**	29,775,817
Noncurrent Assets		
Investments in shares of stock (Note 7)	**26,004,237**	24,876,186
Property and equipment - net (Note 8)	**7,419,309**	251,746
Total noncurrent assets	**33,423,545**	25,127,932
TOTAL ASSETS	**55,568,770**	54,903,749
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**2,930,316**	5,019,575
Payable to related parties (Note 11)	**1,029,443**	
Income Tax Payable	**20,783**	20,783
Total Current Liabilities	**3,980,542**	**5,040,358**
Noncurrent Liabilities		
Retirement Benefit Obligation	**103,300**	103,300.00
Advances from Stockholders	**22,392,332**	32,842,375.00
Total Noncurrent Liabilities	**22,495,632**	32,945,675
Equity		
Capital stock (Note 12)	**103,429,975**	91,929,975
Deposits for future subscription (Note 1)		-
Share in CTA (Note 7)	**(434,802)**	(1,790,398)
Deficit	**(73,902,576)**	(73,221,861)
Total Equity	**29,092,597**	16,917,716
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)	**55,658,770**	**54,903,749**

See accompanying Notes to Consolidated Financial Statements

EASYCALL COMMUNICATIONS PHILIPPINES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)- in Php

	Quarter Ended March	
	2009	2008
SERVICE INCOME	**3,678,535**	3,351,645
COST OF SERVICES	**1,726,747**	1,684,291
GROSS INCOME	**1,951,788**	1,667,354
GENERAL AND ADMINISTRATIVE (Note 14)	**(2,575,091)**	(1,720,196)
GAIN ON SALE OF INVESTMENTS		
EQUITY IN NET EARNINGS OF AN ASSOCIATE (Note 7)	**(227,544)**	813,525
DIVIDEND INCOME		
OTHER INCOME (Note 15)	**170,133**	391,132
NET INCOME (LOSS)	**(680,715)**	1,151,815
Basic Earnings Per Share	(0.01)	0.01

See accompanying Notes to Consolidated Financial Statements

EASYCALL COMMUNICATIONS PHILIPPINES INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY) ***(Unaudited)- in Php***

	Capital Stock (Note10)	**Deposits for Future Stock Subscriptions (Note 1)**	**Share in Cumulative Translation Adjustment (Note 5)**	**Deficit**	**Total**
Balances at January 1, 2009	**91,929,975**	**-**	**(1,790,398)**	**(73,221,861)**	**16,917,716**
Additions	**11,500,000**		**1,355,396**		**12,855,596**
Net Income for the period	**-**	**-**		**(680,715)**	**(680,715)**
Balances at March 31, 2009	**103,429,975**	**-**	**(434,802)**	**(73,902,576)**	**29,902,597**

	Capital Stock (Note10)	Deposits for Future Stock Subscriptions (Note 1)	Share in Cumulative Translation Adjustment (Note 5)	Deficit	Total
Balances at January 1, 2008	91,929,975	22,310,284	2,239,178	(78,894,417)	37,585,020
Additions			(368,507)		(368,507)
Net Income for the period	-	-		1,151,815	1,151,815
Balances at March 31, 2008	91,929,975	22,310,284	1,870,671	(77,742,602)	38,368,330

EASYCALL COMMUNICATIONS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	1st Quarter Ended March 31	
	2009	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**1,546,830**	1,151,815
Adjustments for:		
Common Stock	**11,500,000**	-
Depreciation and amortization (Note 8)	**21,678**	46,790
Dividend Income	**-**	-
Equity in net earnings (Note 7)	**227,544**	(813,525)
Capital Gains Tax and Documentary stamps tax expense	**-**	-
Gain on Sale of Investment in ePerformax	**-**	-
Interest income	**(170,133)**	(318,063)
Operating income (loss) before working capital changes	**10,898,375**	67,017
Decrease (increase) in:		
Receivables	**(934,749)**	1,835,778
Prepaid expenses and other current assets	**(331,486)**	(240,198)
Increase (decrease)		
Payable to Related Parties	**-**	-
Accounts payable and accrued expenses	**(2,089,259)**	(2,028,689)
Retirement benefit obligation	**-**	-
Net cash used in operations	**7,542,881**	(366,092)
Interest received	**170,133**	318,063
Capital Gains Tax and Documentary stamps tax payments	**-**	-
Income taxes paid	**-**	-
Net cash used in operating activities	**7,713,014**	(48,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investment in shares of stock	**-**	-
Dividends received	**-**	-
Changes in accounts with related parties	**(9,420,600)**	(1,559,261)
Acquisition of investments in shares of stock		
Additions to property and equipment (Note 8)	**(7,189,241)**	(295,443)
Net cash from investing activities	**(16,609,841)**	(1,854,704)
NET INCREASE (DECREASE) IN CASH	**(8,896,827)**	(1,902,733)
CASH AT BEGINNING OF PERIOD (YEAR)	**18,259,361**	42,978,226
CASH AT END OF PERIOD	**9,362,534**	41,075,493

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

Easycall Communications Philippines, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1989 primarily to operate a paging business in the Philippines. The Company was listed in the Philippine Stock Exchange (PSE) in May 1992.

Since the closure of the paging business in 2002 as a result of the development of short messaging service of cellular phone companies, the Company engaged in the contact center outsourcing business and information technology related business. In 2008 and 2007, the Company has no operating activities. The operations of these businesses are carried out by its subsidiary, Easycall e-Services, Inc. (e-Serve), a company engaged in information technology services.

Starting November 2005, the management and administrative functions of the Company are being handled by Transnational e-Business Solutions, Inc. (TESI), an affiliate.

Global e-Business Solutions, Inc. (GeBSI), a company organized in the Philippines, owns 56.15% interest, when McMal, Inc. assigned its 8.56% interest in the Company on September 19, 2006. The ultimate parent of the Company is Transnational Diversified Corporation (TDC), a company organized in the Philippines. In 2004, GeBSI carried out its financial commitment to support the operations of the Company by subscribing ₱60,000,000 of the Company's capital stock.

On November 26, 2004, the Board of Directors (BOD) approved the following:

a. Merger of TESI with the Company. TESI is an information technology company, which is a wholly owned subsidiary of TDC.

b. Private placement by GeBSI for 100 million shares or ₱100,000,000 to be taken from the Company's unsubscribed capital stock in order to address and enhance the current capital deficiency of the Company and e-Serve (collectively referred to as "the Group").

The Board further approved that this private placement shall be paid in the form of:

i. The conversion of outstanding advances and liabilities of the Company to GeBSI and its affiliates;

ii. The agreed valuation of TESI to be approved by the shareholders; and

iii. Additional cash infusion.

This private placement shall be subject to the necessary clearance and authorization of governing regulatory agencies. Consequently, in 2005, GeBSI converted its advances amounting to ₱22,310,284 to into deposits for future stock subscriptions.

On July 19, 2006, the stockholders approved the indefinite suspension of the planned merger to seek further guidance in the documentation and compliance requirements of the plan since the Company is in the course of completing the valuation processes and reviewing the business model of the proposed merger.

In October 2008, GeBSI reverted back its deposits for future stock subscriptions to advances from a stockholder (see Note 10). As of April 1, 2009, there is no new development on the planned merger.

The registered office address of the Company is 2nd Floor, Mary Bachrach Building, 25th corner A.C. Delgado Streets, Port Area, Manila.

The consolidated financial statements of the Group as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 were authorized for issue by the BOD on April 1, 2009.

Segment Information

The Group has only one segment in 2008, 2007 and 2006 which is the internet segment. The results of the internet segment are reflected in the consolidated statements of income.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and e-Serve, a 100% owned subsidiary.

A subsidiary is consolidated from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. When there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Company has control.

The financial statements of a subsidiary are prepared for the same reporting year as the parent company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany profits and losses are eliminated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1,

2008, and an amendment to an existing standard that became effective on July 1, 2008 enumerated below.

Philippine Interpretation IFRIC 11, *PFRS 2, Group and Treasury Share Transactions*
This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. The Company does not have any stock option plan and therefore, the interpretation had no significant impact on the consolidated financial statements.

Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
This Interpretation covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remain in public hands but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure. This interpretation had no impact on the consolidated financial statements since this is not relevant to the Group's current operations.

Philippine Interpretation IFRIC 14, *Philippine Accounting Standard (PAS) 19, The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
This Interpretation covers all post-employment defined benefits and other long-term employee defined benefits. This interpretation defines minimum funding requirements as "any requirement to fund a post-employment or other long-term defined benefit plan" and would therefore include both statutory and contractual requirements. This interpretation had no significant impact on the consolidated financial statements.

Amendments to PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures* - Reclassification of Financial Assets
This Amendment permits an entity to reclassify non-derivative financial assets [other than those designated at fair value through profit or loss (FVPL) by the entity upon initial recognition] out of the FVPL category in particular circumstances. The Amendment also permits an entity to transfer from the available-for-sale (AFS) category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as AFS), if the entity has the intention and ability to hold that financial asset for the foreseeable future. These Amendments do not have a significant impact on the consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2008
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective in 2009

PFRS 1, *First-time Adoption of PFRS - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with PAS 27, *Consolidated and Separate Financial Statements*; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or (c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

PFRS 8, *Operating Segments*
PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and the Company will provide explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group will assess the impact of this standard to its current manner of reporting segment information.

Amendments to PAS 1, *Presentation of Financial Statements*
These amendments introduce a new statement of comprehensive income that combines all items of income and expenses recognized in the statement of income together with "other comprehensive income". Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. These amendments also require additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements. The Group will assess the impact of the standard on its current manner of reporting all items of income and expenses.

PAS 23, *Borrowing Costs*
The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
These amendments prescribe changes in respect of the holding companies' separate financial statements including (a) the deletion of "cost method", making the distinction

between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) all instruments in the subordinate class have identical features, (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programs*

This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or has expired.

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*

This Interpretation clarifies the requirements of PFRS for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). Under IFRIC 18, when the item of property, plant and equipment is transferred from a customer meets the definition of an asset under the International Accounting Standards Board (IASB) Framework from the perspective of the recipient, the recipient must recognize the asset in its financial statements. If the customer continues to control the transferred item, the asset definition would not be met even if ownership of the asset is transferred to the utility or other recipient entity. The deemed cost of that asset is its fair value on the date of the transfer. If there are separately identifiable services received by the customer in exchange for the transfer, then the recipient should split the transaction into separate components as required by PAS 18, *Revenue Recognition*. IFRIC 18 must be applied prospectively to transfers of assets from customers received on or after July 1, 2009. Earlier

application is permitted provided the valuations and other information needed to apply to the Interpretation to past transfers were obtained at the time those transfers were made.

Improvements to PFRS

In May 2008, the IASB issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each of the following standards. The Group expects that the following amendments, upon adoption will not have a significant impact on the consolidated financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
  - When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

- PAS 1, *Presentation of Financial Statements*
  - Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

- PAS 16, *Property, Plant and Equipment*
  - The amendment replaces the term “net selling price” with “fair value less costs to sell”, to be consistent with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Assets*.
  - Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

- PAS 19, *Employee Benefits*
  - Revises the definition of “past service costs” to include reductions in benefits related to past services (“negative past service costs”) and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.
  - Revises the definition of “return on plan assets” to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
  - Revises the definition of “short-term” and “other long-term” employee benefits to focus on the point in time at which the liability is due to be settled.
  - Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
  - Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

- PAS 23, *Borrowing Costs*
  - Revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs", i.e., components of the interest expense calculated using the effective interest rate method.

- PAS 28, *Investments in Associates*
  - If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans will apply.
  - An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  - Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- PAS 31, *Interests in Joint Ventures*
  - If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.

- PAS 36, *Impairment of Assets*
  - When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

- PAS 38, *Intangible Assets*
  - Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
  - Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  - Changes in circumstances relating to derivatives - specifically derivatives designated or re-designated as hedging instruments after initial recognition - are not reclassifications.
  - When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.
  - Removes the reference to a "segment" when determining whether an instrument qualifies as a hedge.

    - Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*
    - Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- PAS 41, *Agriculture*
    - Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
    - Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the "most relevant market" are taken into account.

Effective in 2010

Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*

The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as "minority interests"); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be re-measured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*

This Interpretation provides guidance on the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners: (a) distributions of non-cash assets (e.g. items of property, plant and equipment, businesses as defined in IFRS 3, ownership interests in another entity or disposal groups as defined in IFRS 5); and (b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

Amendment to PAS 39 will be effective on July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is

permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Effective in 2012

Philippine Interpretation IFRIC 15, *Agreement for 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. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Revenue Recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

Service Income
Service income is recognized when the related services have been rendered.

Interest Income
Interest income from bank deposits are recognized as it accrues using the effective interest rate method.

Cash and Cash Equivalents
Cash includes cash with 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 date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date.

All regular way purchases and sales of financial asset are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Company's financial assets are of the nature of loans and receivables. As of December 31, 2008 and 2007, the Group has no outstanding financial assets at FVPL, HTM investments and AFS financial assets. Also, under

PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2008 and 2007, the Group has no outstanding liabilities at FVPL.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated at FVPL.

This accounting policy applies primarily to the Group's "Cash and cash equivalents" and "Receivables". Loans and receivables are classified as current assets when these are expected to be realized within twelve months after the balance sheet date or within the normal operating cycle, whichever is longer.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the consolidated statement of income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, 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, other financial liabilities are subsequently measured at amortized cost using the effective interest rate 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 effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Advances from a stockholder" and other obligations that meet the above definition (other than liabilities covered by other accounting standards such as retirement benefit obligation and income tax payable).

Other financial liabilities are classified as current liabilities when these are expected to be settled within twelve months from the balance sheet date or the Group has an unconditional right to defer settlement for at least twelve months from the balance sheet date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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.

Derecognition of Financial Instruments

Financial Assets

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

1. the rights to receive cash flows from the asset have expired;
2. 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
3. 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 the risk and rewards of the asset but has transferred the control of 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 of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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.

Investment in Shares of Stock

Investments in shares of stock pertains to the Company's investment in ePerformax International, Inc. (ePerformax International), which represents 3.8% ownership. Investment in shares of stock is accounted for under the equity method of accounting.

Under the equity method, the investment is carried in the consolidated balance sheets at cost adjusted for the equity in net income or losses and changes in the investee's equity account since the date of acquisition. Dividends received are treated as a reduction in the carrying value of the investment. Unrealized intercompany profits or losses are eliminated to the extent of the Group's proportionate share thereof.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the consolidated financial statements of the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

ePerformax International is an associate of the Company. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies of the entity. The Company exercises its significant influence in ePerformax International through its representation on the BOD and participation in the policy-making processes.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any allowance for impairment in value.

The initial cost of property and equipment comprises of its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of 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 period the 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 an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets of three (3) years.

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

When property and equipment are retired or otherwise disposed of, their cost, accumulated depreciation and any allowance for impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Assets Held for Sale

Assets are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale is measured at the lower of its carrying amount and fair value less cost to sell. Any liabilities associated with these assets are presented separately in the consolidated balance sheet.

Impairment of Assets

Financial Assets Carried at Amortized Cost

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the

present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. 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 of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

With respect to receivables, the Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly. Impaired receivables are derecognized when they are assessed as uncollectible.

Investment in Shares of Stock
The Company performs an impairment review on its investment in shares of stock whenever an impairment indicator exists. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of income.

Property and Equipment
The carrying values of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amounts. The estimated recoverable amount is the greater of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value

of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss, if any, is recognized in the consolidated statement of income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery of impairment losses is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

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 made by discounting the expected future cash flows at a pre-tax 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 interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Retirement Benefits

The Group has a defined retirement benefit plan which requires contributions to be made to separately administered fund. The cost of providing benefits under the defined retirement benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 balance sheet date.

Earnings (Loss) Per Share
Earnings (loss) per share is determined by dividing net earnings (loss) by the weighted average number of shares issued during the year after retroactive adjustment for any stock dividends declared and stock split. Diluted earnings (loss) per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares.

Operating Leases
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessor. Lease payments under an operating lease are charged to expense on a straight-line basis over the terms of the lease.

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

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates**

The consolidated financial statements prepared in accordance with PFRS require management to make judgment and estimates that affect amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. 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

Determining Functional Currency

The functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates.

Operating Leases - the Group as a Lessee

The Group has entered into an operating lease agreement as a lessee and determined that the lessor retains all significant risks and reward of ownership of the related property *(see Note 16).*

Estimates

Estimating Impairment of Receivables

Management reviews the age and status of trade and other receivables and identifies accounts that are to be provided with allowances on a continuous basis. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible receivables.

The Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered in determining the amount of impairment loss that will be recorded. The allowance is re-evaluated and adjusted as additional information is received.

Allowance for impairment losses on receivables amounted ₱3,520,453 and ₱3,680,032 as of December 31, 2008 and 2007, respectively. Management believes that the allowance is sufficient to cover receivable balances which are specifically identified to be doubtful of collection. The Group also determines receivables to be written-off based on assessments and results of earnest efforts exerted by management to collect such receivables. Receivables written-off amounted to ₱159,579 and ₱365,314 in 2008 and 2007, respectively. Receivables, net of allowance for impairment losses, amounted to ₱9,237,988 from ₱ 8,303,239 for March 31, 2009 and December 31, 2008, respectively (see Note 5).

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets.

In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The net book values of property and equipment amounted to ₱7,419,309 and ₱251,746 as of March 31, 2009 and December 31, 2008 respectively (see Note 7).

Estimating Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduced the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group has unused NOLCO, excess MCIT and deductible temporary differences totaling ₱ 28,005,634 and ₱32,925,169 as of December 31, 2008 and 2007, respectively, for which no deferred income tax assets were recognized (see Note 17).

Estimating Impairment of Property and Equipment
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of assets in an arms' length transaction while value in use is the present value of estimated future cash flows expected to rise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the net selling price.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. No impairment loss was recognized in 2008, 2007 and 2006. The carrying amounts of property and equipment amounted to ₱7,419,309 and ₱251,746 as of March 31, 2009 and December 31, 2008, respectively (see Note 7).

Estimating Impairment of Investment in Shares of Stock
The Group performs an impairment review on its investment whenever an impairment indicator exists. After applying the equity method, the Group determines whenever it is necessary to recognize and impairment loss on the Group's investment in shares of stock. 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 of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Management has determined that there are no events or circumstances in 2008, 2007 and 2006 that may indicate that the carrying amount of the investment may not be recoverable. No impairment loss on investment in shares of stock was recognized for the years ended December 31, 2008, 2007 and 2006. Investment in shares of stock amounted to ₱ 26,004,237 and ₱24,876,186, as of March 31, 2009 and December 31, 2008, respectively (see Note 6).

Estimating Fair Value Less Costs to Sell
The Group estimates the fair value of assets held for sale based on the available market price of similar assets less estimated costs to sell. The carrying amount of assets held for sale amounted to ₱2,081,535 as of March 31, 2009 and December 31, 2008. The fair value of the assets held for sale amounted to ₱3,027,000 as of December 31, 2008 and 2007 (see Note 8).

Estimating Retirement Benefit Expense
The determination of the Group's obligation and cost for retirement is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in Note 15 to the consolidated financial statements. Retirement benefit expense amounted to ₱103,300, ₱138,700 and ₱263,400 in 2008, 2007 and 2006, respectively. Retirement benefit obligation amounted to ₱103,300 as of December 31, 2008 (see Note 15).

Estimating Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

4. Cash and Cash Equivalents

	31-Mar-09 **(*Unaudited*)**	31-Dec-08 (Audited)
Cash in banks	**4,622,712**	12,578,914
Short-term deposits	**4,739,822**	5,680,447
	9,362,534	18,259,361

Cash with banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods usually up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

5. Receivables

	31-Mar-09	31-Dec-08
	(Unaudited)	(Audited)
Trade Receivables		
Unimpaired	**3,682,672**	3,198,736
Impaired	**784,796**	784,796
Advances to officers and employees/others		
Unimpaired	**3,891,777**	3,789,888
Impaired	**1,018,363**	1,018,363
Others		
Unimpaired	**1,663,539**	1,314,615
Impaired	**1,717,294**	1,717,294
TOTAL	**12,758,441**	11,823,692
Less allowance for impairment losses	**3,520,453**	3,520,453
	9,237,988	8,303,239

Trade receivables are noninterest-bearing and are generally have a 30-day term.

The allowance for impairment losses is attributable to the individual impairment of certain trade, advances to officers and employees and other receivables. The Group's management believes that unimpaired receivables are collectible and in good standing.

Total gross amounts of individually impaired receivables as of March 31, 2009 and December 31, 2008 before deducting impairment allowance amounted to ₱3,520,453. These receivables were fully provided with allowance for impairment losses as of March 31, 2009 and December 31, 2008.

The Company wrote off receivables amounting to ₱159,579 and ₱365,314 in 2008 and 2007, respectively. There were no amount written off as of March 31, 2009

As of March 31, the aging analysis of unimpaired receivables is as follows:

		Past Due But Not Impaired				
	Neither Past Due Nor Impaired	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**
March 31, 2009	**1,237,007**	**777,559**	**319,110**	**355,495**	**993,501**	**3,682,672**
December 31, 2008	989,687	1,150,153	416,222	2,966,582	2,780,595	8,303,239

6. Investments in Shares of Stock

Investments in ePerformax Contact Centers Corp. (ePerformax) and ePerformax International Prior to 2007, the Company has a 25% stake in ePerformax, a company engaged in the business of information technology services, including contact center

operations, software development, internet access and e-commerce services, back-office processing and system integration.

Dividends from ePerformax

The BOD of ePerformax approved the declaration of stock dividends to stockholders out of its unappropriated retained earnings. The Company's share in the stock dividends is as follows:

Date of declaration	Stockholders of record as of	Amount
July 9, 2007	December 31, 2006	₱40,518,868
September 21, 2007	September 21, 2007	2,324,480
		₱42,843,348

The Philippine SEC approved the declaration of stock dividends of ePerformax on July 9, 2007 and September 21, 2007 on July 31, 2007 and October 25, 2007, respectively.

On November 9, 2007, the BOD and stockholders of ePerformax, in a joint shareholders' and BOD's meeting, approved the substitution of payment of dividends declared on July 9, 2007 and September 21, 2007 from stock to cash. Previously, such stock dividends were used by the Company to subscribe to additional shares. Because of the substitution of dividends paid from stock to cash, there is also a need to substitute the mode of payment of the additional subscribed shares from payment by way of stock dividends to additional cash subscription by applying the cash dividends declared to the payment of said subscription. On this basis, the BOD and stockholders of ePerformax also agreed on the same meeting to convert the cash dividend liabilities into capital subscription payment.

On the basis of the approval of the BOD and stockholders of ePerformax, the Company recognized the dividends of ₱42,843,348 as a reduction of "Investment in shares of stock" in the consolidated balance sheets. Moreover, the Company also recognized additional investment in ePerformax of ₱42,843,348, representing 42,843,348 shares with a par value of ₱1 per share.

On November 29, 2007, the Philippine SEC approved ePerformax's petition to substitute payment of dividends.

On September 21, 2007, the BOD of ePerformax approved the declaration of cash dividends to the stockholders of record as of September 21, 2007 out of ePerformax's unappropriated retained earnings. The Company's share in the cash dividends amounted to ₱1,901,847 and was recorded as a reduction of "Investment in shares of stock" in the 2007 consolidated balance sheet.

On September 21, 2007, the Company paid stock subscription amounting to ₱10,353,420 as additional investment in ePerformax.

Sale of ePerformax Shares to GeBSI

On August 31, 2007, the Company sold a portion of its shares in ePerformax to GeBSI with a cost of ₱96,034,610 for ₱70,000,000 resulting to a loss of ₱26,034,610, which is presented under "Other expenses" account in the 2007 consolidated statement of income.

Exchange of Shares
Prior to the exchange of shares, the Company's stake in ePerformax decreased from 25% to 4.3%.

On September 28, 2007, the Company, together with the other shareholders of ePerformax, GeBSI, Performance Consulting Group, Inc. (PCG-US) and other shareholders (collectively known as the "Transferors") entered into a Deed of Assignment with ePerfomax International whereby the shares held by the Transferors in ePerformax were assigned to ePerformax International in exchange of the latter's own shares. Accordingly, ePerformax became a wholly owned subsidiary of ePerformax International and the Company and the other Transferors became shareholders of ePerformax International. The Company's effective interest in ePerformax International is 3.8%. Although the Company holds only 3.8% ownership of ePerformax International, the Company has significant influence through representation on the BOD of the investee and participation in the policy-making processes.

The Philippine SEC approved the exchange of shares on October 25, 2007.

The movements of the investment in ePerformax International in are as follows:

	31-Mar-09 *(Unaudited)*	31-Dec-08 *(Audited)*
Acquisition costs:		
Balances at beginning of period	**21,948,203**	21,948,203
Additions	**–**	–
Disposals	**–**	–
Balances at end of period	**21,948,203**	21,948,203
Accumulated equity in net earnings:		
Balances at beginning of period	**4,718,381**	(458,197)
Equity in net earnings for the period	**(227,544)**	5,176,578
Disposals	**–**	–
Balances at end of period	**4,490,837**	4,718,381
Share in CTA of associate:	**(434,802)**	(1,790,398)
Investment in associate at equity	**26,004,237**	24,876,186

The summarized financial information ePerformax International as of March 31, 2009, December 31, 2008 and 2007 as follows:

	ePerformax International		**ePerformax**
	2009 (Q1)	2008	2007
Total assets	**₱1,684,955,942**	₱1,213,410,696	₱989,799,304
Total liabilities	**1,000,633,923**	558,774,178	365,347,102
Net income	**(5,988,004)**	136,225,736	156,455,576

7. Property and Equipment

March 31, 2009

	Furniture, Fixtures and Equipment	**Internet Equipment**	**Total *(Unaudited)***
Cost			
Beginning Balance	**236,135**	**319,278**	**555,413**
Additions	**7,217,968**	**388,534**	**7,606,502**
Disposals	**–**	**–**	**–**
Ending Balance	**7,454,103**	**707,812**	**8,161,915**
Accumulated depreciation and amortization			
Beginning Balance	**157,422**	**286,461**	**443,883**
Depreciation	**78,713**	**220,010**	**298,723**
Disposals	**–**	**–**	**–**
Ending Balance	**236,135**	**506,471**	**742,606**
Net book values	**7,217,968**	**201,341**	**7,419,309**

2008

	Furniture, Fixtures and Equipment	Internet Equipment	Total (Audited)
Cost			
Beginning Balance	236,135	319,278	555,413
Additions	–	388,534	388,534
Disposals	–	–	–
Ending Balance	236,135	707,812	943,947
Accumulated depreciation and amortization			
Beginning Balance	157,422	286,461	443,883
Depreciation	78,713	169,605	248,318
Disposals	–	–	–
Ending Balance	236,135	456,066	692,201
Net book values	**–**	**251,746**	**251,746**

8. Assets Held for Sale

Assets held for sale represent the carrying amount, which is lower than the fair value less costs to sell, of land and condominium units included in the paging business of the Company. As discussed in Note 1, the Company's paging business discontinued its commercial operations in 2002.

A portion of land and the condominium units were disposed in 2005 through sale transaction.
The remaining piece of land is expected to be disposed through a sale transaction in 2009. Management continues to commit itself to pursue its plan to sell the remaining piece of land given the extension of the period to complete the sale (see Note 3).

9. Accounts payable and accrued expenses

	31-Mar-09 *(Unaudited)*	31-Dec-08 *(Audited)*
Trade	**889,075**	**1,661,331**
Due to affiliates (see Note 11)	**23,421,775**	1,973,594
Accrued expenses	**1,289,258**	929,178
Others	**751,981**	455,472
	26,352,089	5,019,575

10. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

In addition to those mentioned in Notes 1 and 6, related party transactions in the ordinary course of business are as follows:

a. The following intercompany balances represent non-interest bearing cash advances for working capital requirements which are due and demandable:

March 31, 2009

Related Party	**Due to affiliates**	**Advances from Stockholders**
TESI	**1,029,443**	**–**
GEBSI	**–**	**22,392,332**
	1,029,443	**22,392,332**

2008

Related Party	Due to affiliates	Advances from Stockholders
TESI	1,973,594	–
GEBSI	–	32,842,375
	1,973,594	32,842,375

11. Capital Stock

The BOD approved the maintenance of the 42,557,170 (net of 26,113 exercised in 2005) warrants issued to the stockholders. The exercise price of the warrant is ₱1.15 per share. A warrant represents an entitlement to subscribe and be allotted one (1) common share. The warrants shall be the direct obligations of the Group to the registered owners of the warrants, subject to the terms and conditions of the warrant certificate. There were no warrants exercised in 2008 and 2007.

On September 11, 2008, the BOD approved the issuance of 11,500,000 stock rights to all stockholders of record as of January 8, 2009 at an offer price of ₱1.00 per share. Each shareholder shall be given one share of the Company for every 8 shares currently held by

them. The proceeds will be utilized to fund the expansion and enhancement of the Company's delivery of its IP based internet products and services.

The issuance of the stock rights offer was approved by the Philippine SEC on December 23, 2008.

	31-Mar-09	31-Dec-07
	(Unaudited)	*(Audited)*
Capital Stock- P1 par value (See Note 1)		
Authorized- 300 million shares		
Issued- 103,429,975 shares	**103,429,975**	91,929,975

12. General and Administrative Expenses

	Quarter ended March 31	
	2009	2008
	(Unaudited)	*(Audited)*
Depreciation and amortization	**21,678**	37,214
Personnel	**532,647**	592,610
Rental	**77,379**	56,073
Consultancy Fees	**342,670**	601,328
Professional Fee	**111,950**	86,500
Travel	**42,460**	47,128
Taxes and licenses	**118,042**	143,207
Communications	**115,656**	100,261
Insurance	**-**	-
Seminars and Trainings	**58,627**	-
Shared Service Fee	**178,571**	-
Newspaper, publication and subscription	**33,793**	28,838
Membership, Advertising & Promo Newspaper Ads	**-**	-
Office supplies	**26,915**	1,068
Representation, entertainment, guests	**94,500**	12,875
Repairs and maintenance	**11,530**	11,628
Per Diem	**-**	-
Loss on lawsuit settlement	**-**	-
Miscellaneous - net	**6,083**	1,465
Fees & Dues- Other Expense	**52,587**	-
Fees & Dues- Legal Expense	**750,000**	-
Provision for Retirement Fund	**-**	-
Retirement Expense	**-**	-
	2,575,091	1,720,196

13. Other Income

	Quarter ended March 31	
	2009	2008
	(Unaudited)	*(Audited)*
Interest income and others	**170,133**	391,132
	170,133	391,132

14. Employee-related Expenses

	Quarter ended March 31	
	2009	2008
	(Unaudited)	*(Audited)*
Salaries and wages	461,478	467,312
Employees' benefits	71,169	125,298
Retirement benefits	–	–
	532,647	**592,610**

15. Retirement Benefit Plan

The Group participates in the Transnational Diversified Group of Companies Retirement Plan (the Group Plan) starting 2006. The Group Plan, which is managed by a Board of Trustees, is funded by contributions of each participating company. The fund assets of each participating company are determined on the basis of each company's contribution to the Group Plan. The annual contribution to be paid by each participating company to the Group Plan is based on the unfunded actuarial liability computed individually for each participating company.

The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees.

The following tables summarize the amounts recognized in the consolidated balance sheets, the components of net retirement benefit expense recognized in the consolidated statements of income and the funded status, based on the latest actuarial valuation as of December 31, 2008.

The components of retirement benefit expense recognized in the consolidated statements of income are as follows:

	2008	2007	2006
Current service cost	**₱120,500**	₱133,100	₱87,400
Interest cost	**29,800**	11,300	18,500
Expected return on plan assets	**(46,000)**	–	–
Actuarial gains	**(1,000)**	(5,700)	–
Transitional liability	**–**	–	157,500
Retirement benefit expense	**₱103,300**	₱138,700	₱263,400
Actual return (loss) on plan assets	**(₱65,613)**	₱15,900	₱–

The components of retirement benefit obligation recognized in the consolidated balance sheets are as follows:

	2008	2007
Present value of defined benefit obligation	**₱8,137**	₱357,100
Fair value of plan assets	**(352,387)**	(418,000)
Funded status	**(344,250)**	(60,900)
Unrecognized actuarial gains	**447,550**	60,900
	₱103,300	₱–

Changes in the present value of the defined benefit obligation are as follows:

	2008	2007
Balances at beginning of year	**₱357,100**	₱141,330
Current service cost	**120,500**	133,100
Interest cost	**29,800**	11,300
Net actuarial losses (gains) due to:		
Change in actuarial assumptions	**(375,463)**	(26,530)
Experience adjustments	**(123,800)**	97,900
Balances at end of year	**₱8,137**	₱357,100

The components of fair value of plan assets are as follows:

	2008	2007
Balances at beginning of year	**₱418,000**	₱–
Expected return on plan assets	**46,000**	–
Contributions	**–**	402,100
Actuarial gains (losses)	**(111,613)**	15,900
Balances at end of year	**₱352,387**	₱418,000

The Group does not expect to contribute to the Group Plan in 2009.

The major categories of the Group Plan's plan assets as a percentage of the fair value of the total plan assets are as follows:

	2008	2007
Cash and cash equivalents	**31%**	18%
FVPL investments	**8%**	15%
Investment in shares of stock	**5%**	17%
Others	**56%**	50%

Principal actuarial assumptions used to determine retirement benefit obligations in 2008 and 2007 are as follows:

	2008	2007
Discount rate	**28.86%**	8.35%
Investment yield	**5.00%**	8.00%
Retirement date	**Age 60 and 10 years of service**	Age 60 and 10 years of service
Wages and salary increases		
Rank and file and non-managers	**10%**	10%
Managers and up	**1%**	10%
Turnover rate (voluntary separation)	**Ranging from 10% at age 20 and decreasing to 0% after age 45**	Ranging from 10% at age 20 and decreasing to 0% after age 45

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous two years are as follows:

	2008	2007	2006
Plan assets	**(₱352,387)**	(₱418,000)	₱–
Present value of defined benefit obligation	**8,137**	357,100	141,330
Funded status	**344,250**	60,900	(141,330)
Experience adjustments on plan liabilities	**(123,800)**	97,900	(201,400)

16. Operating Leases

The Group subleases its warehouse space from Diversified Holdings, Inc. The sublease agreement is renewable on a year-to-year basis. Rent charged to operations for each of the three years in the period ended December 31, 2008 amounted to ₱127,724, ₱133,465 and ₱ 99,973, respectively (see Note 12).

17. Income Taxes

The provision for current income tax in 2008 represents the Company's MCIT and e-Serve's regular corporate income tax.

The Company had no provision for current income tax in 2007 due to its gross and net taxable loss positions. The provision for current income tax in 2007 represents e-Serve's MCIT.

The provision for current income tax in 2006 represents the Company's MCIT. e-Serve had no provision for current income tax in 2006 because of its net taxable loss position. e-Serve was subjected to MCIT starting 2007.

As of December 31, 2008 and 2007, the Group has the following deductible temporary differences, excess MCIT and unused NOLCO for which no deferred income tax assets were recognized since management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized in the future:

	2008	2007
NOLCO	**₱24,329,256**	₱28,590,547
Allowance for impairment losses	**3,520,453**	3,680,032
Retirement benefit obligation	**103,300**	–
MCIT	**52,625**	654,590
	₱28,005,634	₱32,925,169

As of December 31, 2008, the Group has NOLCO and MCIT that can be claimed against future taxable income and income tax liabilities, respectively, as follows:

Year incurred	Available up to	NOLCO	MCIT
2008	2011	₱447,870	₱20,783
2007	2010	23,293,008	22,736
2006	2009	588,378	9,106
		₱24,329,256	₱52,625

The following are the movements in NOLCO and MCIT:

NOLCO	2008	2007
Balances at beginning of year	**₱28,590,547**	₱37,943,473
Additions	**447,870**	23,293,008
Expirations	**(4,709,161)**	(32,060,936)
Application	**–**	(584,998)
Balances at end of year	**₱24,329,256**	₱28,590,547

MCIT	2008	2007
Balances at beginning of year	**₱654,590**	₱495,279
Additions	**20,783**	159,311
Expiration	**(486,173)**	–
Application	**(136,575)**	–
Balances at end of year	**₱52,625**	₱654,590

The reconciliation of income (loss) before income tax computed at the statutory tax rate to provision for income taxes are as follows:

	2008	2007	2006
Tax at statutory rate	**₱1,992,669**	(₱2,875,242)	₱14,274,677
Additions to (reductions in) income taxes resulting from:	**–**	–	–
Change in unrecognized deferred income taxes	**77,118**	7,875,723	(336,567)
Equity in net earnings of associates	**(1,811,802)**	(14,004,461)	(13,927,221)
Interest income subjected to final tax	**(237,200)**	(126,992)	(1,783)
Loss on sale of asset subjected to capital gains tax	**–**	9,290,283	–
	₱20,783	₱159,311	₱9,106

Republic Act (RA) No. 9337

RA No. 9337, which became effective on November 1, 2005, amended various provisions in the 1997 National Internal Revenue Code. The reforms introduced by RA No. 9337 included the increase in the corporate income tax rate from 32% to 35% beginning November 1, 2005, with a reduction thereof to 30% beginning January 1, 2009. RA No. 9337 also provided for the increase in unallowable interest rate from 38% to 42% beginning November 1, 2005, with a reduction thereof to 33% beginning January 1, 2009.

18. Earnings (Loss) Per Share

The following reflects the consolidated net income (loss) and share data used in the basic and diluted earnings (loss) per share computations:

Basic earnings (loss) per share:

	2008	2007	2006
Net income (loss)	**₱5,672,556**	(₱8,374,289)	₱40,775,685
Divided by weighted average number of outstanding shares	**91,929,975**	91,929,975	91,929,975
Basic earnings (loss) per share	**₱0.06**	(₱0.09)	₱0.44

Diluted earnings (loss) per share:

	2008	2007	2006
Net income (loss)	**₱5,672,556**	(₱8,374,289)	₱40,775,685
Weighted average number of ordinary shares for basic earnings per share	**91,929,975**	91,929,975	91,929,975
Effect of dilution:			
Exercisable warrants (see Note 11)	**42,557,170**	–	42,557,170
	134,487,145	91,929,975	134,487,145
Diluted earnings (loss) per share	**₱0.04**	(₱0.09)	₱0.30

Exercisable warrants were not included in the diluted loss per share in 2007 since they had anti-dilutive effect.

19. Registration with the Board of Investments (BOI)

The Company is registered with the BOI on December 12, 2001 as a New IT Service Firm in the field of Electronic Customer Relationship Management on a pioneer status under the Omnibus Investment Code of 1987. Under the terms of the Company's registration, it is entitled to certain tax and non-tax incentives which include income tax holiday for six years subject to certain conditions, among others, and is required to maintain a base equity of at least 25%. The BOI registration of the Company expired on December 12, 2007.

There was no income tax holiday incentive availed for the years ended December 31, 2007 and 2006 as the Company has no operations for the registered activity.

20. Financial Instruments

The Group's financial instruments are cash and cash equivalents, receivables, accounts payable and accrued expenses and advances from a stockholder.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls and to monitor and assess risks and compliance to internal control policies. Risk

management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks.
Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

Credit Risk
Credit risk represents the loss that the Group would incur if counterparty failed to perform under its contractual obligations and arises primarily from the Group's receivables. The Group trades 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 debt is not significant. The Group's maximum exposure to credit risk is the carrying amount of its financial assets.

The Group grants advances to its affiliates after the BOD reassessed the Group's strategies for managing credits and view that they remain appropriate for the Group's circumstances. In addition, these advances are monitored on an ongoing basis with the result that the Group's exposure to account discrepancies is not significant.

Cash equivalents are money market placements made with reputable banks duly approved by BOD. All unimpaired receivables are collectible and in good standing.

Management believes that all financial assets are of good credit quality.

Fair Value of Financial Instruments
The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses and advances from a stockholder approximate their fair values due to their short-term maturities.

The carrying values of the Company's financial assets and liabilities per category are as follows:

	2008	2007
Loans and receivables:		
Cash and cash equivalents	₱18,259,361	**₱42,978,226**
Receivables	**8,303,239**	5,078,132
	₱26,562,600	₱48,056,358
Other financial liabilities:		
Accounts payable and accrued expenses	₱5,019,575	**₱37,207,121**
Advances from a stockholder	32,842,375	-
	₱37,861,950	₱37,207,121

Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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. No changes were made in the objectives, policies or processes as of December 31, 2008 and 2007.

21. Notes to Consolidated Statement of Cash Flows

Noncash financing activity in 2008 pertains to the reversal of deposits for future stock subscriptions to advances from a stockholder amounting to ₱22,310,284 (see Note 1).

Noncash investing activity in 2007 pertains to dividend income and acquisition of investment in shares of stock from/to ePerformax amounting to ₱42,843,348 (see Note 6).

22. Other Matter

In relation to the Group's paging operations, National Telecommunications Commission (NTC) billed the Group Supervision and Regulation Fees (SRF) amounting to ₱14,049,360 for the years covering 2001 to 2005. With the closure of the Group's paging operations in 2002, management believes that the Group has no telecommunications operations subject to supervision by NTC and thus, no SRF should be charged to the Group. Management has already sent formal communications to NTC regarding the matter; however, the Group did not receive a formal reply from NTC. Management at that time believed that the Group has substantial factual bases for its position, thus, no provisions were recognized for the SRF in previous years.

In line with the Group's future plans to revive its business operations by providing value-added services to telecommunication companies and to introduce the two way paging system, the Group arranged for a settlement of the SRF billed by NTC in December 2007.