COVER SHEET

2 5 1 6 0

S.E.C. Registration Number

I P V G C O R P .

(Company's Full Name)

3 4 F R C B C P L A Z A T O W E R 2

6 8 1 9 A Y A L A A V E V U E

M A K A T I C I T Y 1 2 0 0

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

Mr. Emmanuel L. Jalandoni
Corporate Information Officer
Atty. Sheila Q. Feliciano
Corporate Secretary
Assistant Corporate Info. Officer

Contact Person/s

(632) 757-1731 to
(632) 757-1740

Company Telephone Number

1 2	3 1	**SEC Form 17-Q March 31, 2006**	June	Last Friday
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the Quarter ended **March 31, 2006**

2. Commission identification number. **25160**

3. BIR Tax Identification No **310-000-189-138**

4. Exact name of issuer as specified in its charter **IPVG CORP (Formerly MBf, Inc.)**

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

6. Industry Classification Code: se Only)

7. **34F RCBC Plaza Tower 2, 6819 Ayala Avenue, Makati City 1200**
   Address of issuer's principal office Postal Code

   (632) 757-1731 to 40
8. Issuer's telephone number, including area code

9. **Unit 4 Building B Karrivin Plaza 2316 Pasong Tamo Ext., Makati City 1231**
   Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**396,980, 785**

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

    Yes [√] 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 SRC and SRC Rule 17.1 thereunder or Section 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 [√] No [ ]

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

    Yes [√] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

    Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

    (a) Any annual report to security holders; (N/A)

    (b) Any information statement filed pursuant to SRC Rule 20; (N/A)

    (c) Any prospectus filed pursuant to SRC Rule 8.1. (N/A)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our discussions in the foregoing sections of this report pertain to the results of our company's operations for the first quarter of 2006. This report covers the different business units under the group, including the parent company.

References are going to be made to results of operations for the same quarter of the previous year 2005. We note herein that said references may not be comparable to the results of the current year as the business units being reported this year, and their contributions to the financial data being presented, started only in the third quarter of 2005.

The report shall also contain forward-looking statements that reflect our current views with respect to the company's future plans, events, operational performance, and desired results. These statements, by their very nature, are not 100% accurate, and therefore contain a substantial element of risks and uncertainties. Actual results may be different from our forecasts.

Furthermore, the information contained herein should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with Philippine Generally Accepted Accounting Principles (GAAP).

I. BUSINESS AND GENERAL INFORMATION

IPVG Corp. [formerly MBf, Inc.] is a company listed in the Philippine Stock Exchange, Inc. that is focused in the following growth areas: Information Technology & Telecommunications (IT&T) and Massively Multiplayer Online Gaming (MMOG). Our company is also developing strategies in Business Process Outsourcing (BPO) and Internet Café (I-Café) Businesses.

As of March 31, 2006, our company has successfully launched our two main business segments: IP Converge Data Center Inc. and IP E-Game Ventures Inc.

IP Converge Data Center

IP Converge Data Center is a wholly-owned subsidiary of IPVG, incorporated on September 2005, and is the only carrier-neutral international telco-grade data center in the Philippines. IP Converge provides customers with internet connectivity, co-location services, application management, solutions architecture, and managed network services. By partnering with all the players in the telecommunications industry, IP Converge offers clients with a wider array of mission critical applications, diverse in both carrier and specific cable routes used for transmission of traffic.

IP E-Game Ventures Inc.

IP E-Game Ventures (Egames) was incorporated in November 2005 after IPVG secured licensing rights to locally publish various on-line games from TERRA ICT on June, 2005, and RAN ONLINE from Goldsky/Feya Technologies on November, 2005.

E-Games is an on-line gaming portal offering several top-tier gaming titles under one common and unified billing platform. Its premier title is RAN ONLINE, the first contemporary massively multiplayer online role playing game ("MMORPG") to be introduced in both the Philippines and the rest of the region. RAN ONLINE is currently the #1 MMORPG in Malaysia, Hong Kong, Taiwan and soon in Thailand.

Other game titles in the portal are:

- Dreamville is a virtual community where users are represented by their online avatars.
- O2Jam is an online music game recognized all over Asia and played in the World Cybergames.
- Battle Position is a 2D action combat game played in real time. Players group in various combinations of teams, up to 8 players at any one session.

II. RESULTS OF OPERATIONS

Financial Highlights and Key Performance Indicators

Consolidated Balance Sheet	As of March 31, 2006	As of December 31, 2005	Increase (Decrease) Amount	%
Total Assets	126,572,560	110,702,905	15,869,655	14%
Current Assets	38,731,369	22,178,218	16,553,151	75%
Property and Equipment	60,428,997	60,675,339	(246,342)	0%
Total Liabilities	142,053,813	126,168,294	15,885,519	13%
Interest Bearing Loans	56,152,335	50,918,430	5,233,905	10%
Stockholders Equity	(9,395,617)	(9,379,753)	(15,864)	0%

	For Three Months Ended March 31		Increase (Decrease)	
	2006	2005	Amount	%
Consolidated Statements of Income				
Revenues	25,931,341	2,913,806	23,017,535	790%
Expenses	22,300,341	5,540,155	16,760,186	303%
Income Before Income Tax	(15,015,864)	(2,621,537)	(12,394,327)	473%
Net Income	(15,015,864)	(2,621,537)	(12,394,327)	473%
Consolidated Cash Flows				
Net Cash Provided / (Used) By Operating Activities	(14,360,322)	837,620	(15,197,942)	-1814%
Net Cash Provided / (Used) in Investing Activities	(3,996,198)	(20,926)	(3,975,272)	18997%
Capital Expenditures	(4,433,352)	(42,570)	(4,390,782)	10314%
Net Cash Provided by Financing Activities	20,233,905	(2,849,280)	23,083,185	-810%

Key Performance Indicators	As of March 31, 2006	As of December 31, 2005	Increase (Decrease) Amount	%
Current Ratio	0.34	0.21		
Outstanding Shares	396,980,785	371,980,785	25,000,000	7%
Market Capitalization	992,451,963	929,951,963	62,500,000	7%
Book Value per Share	(0.024)	(0.025)		

	For Three Months Ended March 31			
	2006	2005		
Net Operating Margin	(0.58)	(0.90)		
Earnings Per Share	(0.0378)	(0.0070)		
Operational Data				
Number of Employees	85	30	55	183%
Exchange Rates	51.284	53.062		

The two business segments mentioned in Part I, IP Converge Data Center Inc. and IP E-Game Ventures Inc. were incorporated in 2005. Both companies started commercial operations in 2006. Egames has commenced commercial operations on March 31, 2006. The data center business continues to be reported under IPVG Corp. as its operating unit, until second quarter of 2006 when it shall be completely spun-off into IP Converge. This is to allow us to transfer all customer contracts and records from IPVG to IP Converge.

Total Consolidated Revenues increased by Php23,017,535 or 790% from Php2,913,806 in the same period in 2005, to **Php25,931,341** due to our data center business which contributed 100% of total revenues reported for the current year. Cost of Services stood at Php16,535,838 resulting in a Gross Profit of P9,392,503 or 36%.

Consolidated Expenses for the Group increased by 303% from Php5,540,155 in the same period in 2005 to **Php22,300,341** in 2006 due to the increased activity and expenses of both operating subsidiaries.

Total Consolidated Net Loss increased from Php2,621,537 in 2005 to **Php15,015,864** in 2006 or 473% due to the expenses of IP Egames, which has not yet fully commercialized its operations, nor realized any revenues during the quarter. Revenue contribution for Egames is expected on the second quarter of 2006.

Total Consolidated Assets increased by 14% from Php110.7MM as of December 31, 2005 to P126.5MM, or by Php15.8MM due to an increase in cash received from the investment in Egames. Property and Equipment on the other hand, decreased marginally due the effect of new acquisitions and depreciation charges.

Total Consolidated Liabilities on the other hand, increased by P15.9MM or 13% from P126MM as of December 31, 2005 to P142MM as of March 31, 2006, due to the increase in short term loans to finance the working capital requirements.

IPVG Corp. / IP Converge Data Center

The following Table shows the Revenues for IPVG Corp./ IP Converge for the quarter ended **March 31, 2005** reflecting the results of operations of the data center business segment:

	For Three Months Ending			
	31-Mar-06	%	31-Mar-05	%
Global Internet Access (GIA)	13,936,490	53%		0%
Co-Location	8,623,384	33%		0%
Sponsorship fee		0%	2,913,806	100%
Others	3,537,610	14%		0%
Less : Discounts	(166,144)	-1%		0%
	25,931,341	100%	2,913,806	100%

IPVG delivers IT and telecommunications integrated solutions to other telcos and to corporate users. Our solutions range from the simple provision of bandwidth to fully integrated systems, where we initiate, design, and manage the project from inception to handover.

Our customers are generally those that have international telecommunications requirements. However, we can still offer competitive advantage to those organisations requiring local IP connectivity only. We have developed very close partner relationships with major suppliers in the industry including PCCW, IX Europe, Microsoft, PLDT, e-PLDT, Globe, and IDT Corp.

Our company offers a package of value added services to the corporate and SME sectors in Metro-Manila, all based off the foundation of IP Converge's network. These value added services maintain business oriented functions, saving users from the cost and difficulty of doing it themselves. Services include data centre capacity, e-mail, systems and network back-up, network security, disaster recovery, remote (international access), IP telephony and sophisticated interconnections with the user's mobile network.

Our IT&T business is based on the foundation of quality delivery, high customer satisfaction and the incremental addition of new services. Our clients are continuously in dialogue with us. After the initial provisioning, we work together to enhance our value by leveraging the same delivery machinery, both human and technological. Given the evolved state of the data center business, we acquire our clients through mainly traditional means – a strong sales force, marketing, seminars, and a high degree of referral.

Revenues

During the first quarter of 2006, revenues for the Group were derived mainly from the data center business. Total revenue of **Php25,931,341** accounts for all the revenues of the group, and translates to an increase of **790%** from the consolidated revenues for the same period in 2005. This is further broken down as follows:

- **Global Internet Access (GIA).** IP Converge Global Internet Access Service (GIA) provides access to the most diversely-routed, highest-capacity IP backbone in the Asia-Pacific region with direct connectivity to the US and Europe. IP Converge GIA provides an extensive range of flexible and scalable IP-connectivity solutions suitable for the changing requirements of carriers, service providers, content providers and multinational corporations. IP-Converge has an agreement with PCCW for the reselling of international bandwidth to support direct secure links to specific locations (IPLC) and general high speed access into the internet (Global Internet Access or GIA). Most companies, irrespective of size, require such facilities as it is now almost a business requirement to have a presence on the internet. The service provided can range from small (128kb, to be used by a start-up SME) to very large (155 Mbps and upwards) often deployed by Telecommunications companies. *For the quarter ending March 31, 2006, our GIA services account for 53% of the company's revenues, as compared to 0% in 2005.*

- **Co-location Services** provide customers space, power and air-conditioning in a secure environment where their computers (usually larger servers) are located. In IP Converge's data centre, we share the space with the Philippine connection point for Reach's international IP communications network. This means that we can provide both space and high quality communications in one package. *Co-location services account for 33% of the company's revenues for the quarter ending March 31, 2006, and 0% in 2004.*

- Beyond the basic co-location facilities, we also maintain, monitor, operate, upgrade and support the systems located in the data centre. These chargeable services are integral to the needs of most clients and we see this as a significant growth business with substantial margins. We recently signed an agreement with a client for the hosting of their operating platform for a government agency. Through this application, our partner will enable the electronic submission and processing of trade documents – Declaration Invoice, AWB/BL, etc by importers and exporters through logistics providers, to Customs and other government agencies. The system is currently adopting the RosettaNet PIP3B18 methodologies.

- Management Fees relates to fees charged to subsidiary and affiliates by the company for services relating to general management, finance and administrative services, legal services, and other related services. As in 2005, the company did not record any Management Fees for the quarter ending March 31, 2006.

- Sponsorship Fees from Next Sequel Interactive account for 100% of the revenues reported during the first quarter of 2005.

- Other Revenues include all other non-service income/gains, and account for 14% of the company's first quarter revenues for 2006, and 0% for 2005.

- Discounts or Rebates were granted to some customers during the first quarter of 2006, as warranted by our Service Level Agreements with the customers. This amounted to 1% of our total revenues.

IP Converge acquired the Data Center facility Reach Network Philippines Inc, and was turned to profitability within months from its acquisition. Reach Philippines is a subsidiary of Reach Networks (HK), a joint-venture between PCCW (HK) and Telstra (Australia). The data center was designed and constructed by PCCW, a recognized leader in Asia in the building and management of data centre facilities. IP Converge adheres to international standards in the areas of structural integrity, power, air-conditioning and network operations.

IPVG has tied-up with PCCW of Hong Kong to represent PCCW's full suite of products to the Philippines market. PCCW is one of the largest regional Asian carriers, and through its subsidiary Reach Networks, owns the largest IP- telecommunications backbone in Asia.

PCCW has awarded IPVG/IP Converge as its local reseller and partner in the Philippine market, for all of PCCW products and services including bandwidth, disaster recovery, systems integration, security software and network management.

During the first quarter of 2006, our company also signed a partnership with Asia Netcom (ANC) to offer similar bandwidth services to customers.

The Table Below shows the composition of our Cost of Services for the quarter ending March 31, 2006, for the year ending December 31, 2005

Cost of Services	For the Quarter Ending March 31, 2006	%	For the Year Ending Dec. 31, 2005	%
Bandwidth and Local Loop	8,059,196	49%	8,738,399	45%
Rent	5,439,694	33%	6,550,180	34%
Repairs and Maintenance	1,673,054	10%	2,175,812	11%
Commission	448,886	3%	375,198	2%
Direct Labor	345,778	2%	721,812	4%
Others	572,230	3%	830,824	4%
Total	**16,538,838**		**19,392,225**	

- The bandwidth that we source through our partnership with PCCW, ANC and other major telcos comprise 49% of our cost of sales, and is delivered through interconnection facilities between the customer's site and IP Converge's. No further enhancement is involved. In order to do this, we have secured a license with the National Telecommunications Commission (NTC) as a Value Added Service (VAS) provider on May 26, 2005 which will expire on May 25, 2010.

- Rent is composed of the amount we allocate on the portion of our leased area dedicated to the Data Center facilities comprise 33-34% of our cost of sales.

- Repairs and Maintenance is composed of the cost of maintaining the UPS and Airconditioning Equipment, and other incidental costs due to the ordinary wear and tear of our network, computer and office equipment within the data center facilities. This comprises 10-11% of our cost of sales.

- Salaries and Direct Labor for personnel dedicated to the maintenance and operations of the Data Center facilities comprise 2-4% of our cost of sales.

- Commissions to Sales managers account for 2-3% of our cost of sales. The company offers a fixed percentage over gross margins to a number of employees who are directly responsible for the management of the customer accounts, including securing of the contract.

- Other Costs include allocated power and utilities, other outside services, supplies, and other incidental expenses related to the operations of the data center facility.

Facilities

The data center facility itself is located in RCBC Plaza -- a very high quality, secure building in the heart of Makati, the business district of Manila and of the Philippines. The data centre is laid out over 1,800 square meters in one floor of the plaza and is readily accessible by road through the main thoroughfares of Ayala and Sen. Gil Puyat Avenues, and through the helicopter pad on the roof of the building. The floor itself contains office space and 650 square meters of conditioned raised floor space for co-location of servers and communications equipment. The same facility houses the Philippine data termination node for the PCCW worldwide network (www.PCCW.com. www.Reach.com) and thus is ideal for any client requiring data centre services and bandwidth to the internet or to specific locations via IPLC. Both Reach Networks and Asia Netcom provide network facilities to IP-Converge. Equipment in our data centre is supplied by Cisco, Juniper Networks, HP, Foundry and Tipping Point.

RCBC Plaza is a PEZA accredited building. By co-locating in RCBC Plaza, IP Converge qualifies for PEZA status due to its very high export earning performance, where between 75 to 80% of our revenue comes from exports or cross-border clients.

Other Products and Services

In October 2004, our company signed a Memorandum of Agreement with Credence Analytics ("CA"), to offer a comprehensive range of treasury, risk and trust solutions to the banking and financial services companies in the Philippines.

Credence Analytics has been ranked as India's largest selling treasury solution company for the third year in succession according to the International Banking Systems (www.ibspublishing.com) in terms of Annual Sales in whole-sale banking (treasury & risk) solution company. At the same time, CA ranks as the world's 4th largest selling whole-sale banking (treasury & risk) solution company, India's 4th largest banking solutions company, and the world's 11th largest banking solutions company.

In the Philippines, the wholesale banking solutions industry is dominated by MISYS International, through its flagship product OPICS. In 2004, MISYS had 3-4 installed sites for Treasury solutions with Philippine National Bank, Metrobank, and RCBC.

The suite of products includes:

- Credence RiskMark is a comprehensive risk management solution designed to help the risk manager estimate and manage the risk on the fixed income portfolio. RiskMark also generates comprehensive risk MIS for the mid-office.

- Credence Asset Liability Management Software (CALMs) Solution gives the power to make informed decisions, the ability to identify profit opportunities, and the knowledge to help minimize risk exposure in an increasingly competitive market.

- Credence iDEAL is an integrated STP treasury solution addressing the complete treasury and investment management requirements of banks and financial institutions. iDEAL covers a wide range of products including foreign exchange and money market.

Revenues expected on this initiative will be derived from the sale of the software license, implementation, annual maintenance fees, and hardware.

The software would require some degree of localization, in terms of its conformity to local accounting and banking standards and practices, including taxation and regulatory reporting. The development work to localize the product will be borne by our partner. Enhancements to the core solution that are customer-specific, will be funded jointly by the company, Credence and the customer.

Our involvement in the partnership will be in the Sales and Marketing initiatives, and in the subsequent implementation services of the product. We have committed a strong sales team to explore the financial institutions industry for a suitable first site. This ultimately will open more opportunities to cross-sell to grade A customers our core solutions on bandwidth services, server hosting, back-up sites and disaster recovery.

IP E-Game Ventures Inc.

Egames was incorporated in November 2005 as a wholly owned subsidiary of IPVG, and as IPVG's venture into the multi-billion peso on-line gaming industry. Egames is launching the first contemporary-themed massively multiplayer online role playing game ("MMORPG") in the Philippines, RAN Online. RAN ONLINE is currently the leading MMORPG in Malaysia, Hong Kong, Taiwan and soon Thailand. We expect to carve out our market leadership with this game.

With RAN Online as its flagship title, Egames will be the first to introduce the multi-title portal approach in the online gaming market. The other game titles in the portal are:

- Dreamville is a virtual community similar to Friendster (about 2 MM users) that uses Avatars to represent users online. An avatar is a virtual image created by the user to represent him in the online world, using computer animation and graphics. Dreamville intends to take social networking to a different level.

- O2Jam is an online music game similar to Dance Revolution but played on keyboards, and recognized all over Asia and exhibited in the World Cybergames, an annual gaming competition. Players can upgrade their characters, or avatars by purchasing items or songs.

- Battle Position is a two-dimensional action combat game played in real time between players grouped in various teams of up to 8 players at any one session.

Revenues

As soon as commercial operations for Egames commence on March 31, 2006, the revenues of Egames and of the various published titles will be derived from the sale of Pre-paid cards in various denominations of P50.00, P100.00 and P200.00. These cards are equivalent to the same number of **E-Points** which are used as virtual currencies to purchase online items.

The users, or Gamers, will be able to load their accounts with these E-points, and begin purchasing items within the portal. These items may range from specialized outfits, pets, and household stuff for Dreamville; swords, armors, bus passes, and other weapons for RAN Online; and songs, outfits and musical instruments for O2Jam. Each item is worth a corresponding amount of E-points.

Our pre-paid cards will be available in every major distribution outlets nationwide. We have partnered with reputable card distribution companies in each of the major urban centers in Metro Manila, Metro Cebu, Davao, Iloilo, and Batangas.

In 2005 and until March 31, 2006, Egames does not contribute to the consolidated revenues of the Company. We foresee that the revenues from Egames will begin in April 2006. By then, we will be able to measure with some degree of accuracy our Average Revenue per User (ARPU).

Expenses

The Table below shows the Total Consolidated Expenses for the Group and the expenses per business segment:

	IP Egames	IPVG/IDC	March 31, 2006	March 31, 2005	Increase/(Decrease)	
			Consolidated		Amount	%
Salaries and other Employee Benefits	3,277,026	4,420,665	7,697,691	2,915,113	4,782,578	164%
Depreciation and Amortization	1,687,684	2,992,010	4,679,694	391,917	4,287,777	1094%
Advertising and Promotions	3,596,906	48,297	3,645,203	18,895	3,626,308	19192%
Professional Fees	493,142	2,147,675	2,640,817	600,279	2,040,538	340%
Rent and Dues	-	984,352	984,352	668,929	315,423	47%
Transportation and Travel	310,161	333,210	643,371	335,436	307,935	92%
Representation	239,276	194,583	433,859	59,990	373,869	623%
Communication	172,544	221,044	393,588	83,226	310,362	373%
Fees & Subscription		345,416	345,416	-	345,416	NA
Supplies and Other Office Expenses	101,558	126,639	228,197	72,615	155,582	214%
Taxes and licenses	100,000	101,962	201,962	43,387	158,575	365%
Commission	135,000	-	135,000	15,909	119,091	749%
Utilities		20,357	20,357	193,562	(173,205)	-89%
Repairs and Maintenance		8,750	8,750	51,916	(43,166)	-83%
Miscellaneous	127,114	114,970	242,084	88,980	153,104	172%
Total Expenses	**10,240,413**	**12,059,928**	**22,300,341**	**5,540,155**	**16,760,186**	**303%**

The total consolidated expenses for the quarter ending March 31, 2006 amounted to **Php22,300,341,** an increase of Php16,760,186 or 303% from the same period in 2005.

- Salaries and benefits increased by 164% due to the increase in employees from 30 in 2005 to 85 in 2006. A number of senior executives also joined the company to spearhead the different business units of the company.
- Advertising and Promotions increased by 19,192% due to the increased activity in promoting our online gaming business. During the first quarter, IP Egames launched a series of events, promotions in the internet cafes, press releases, and other marketing activities. We expect that these activitie will be replicated in the subsequent quarters throughout the year, as we build our subscriber base for our Games.
- Transportation and Travel increased by 92% due to the increase in airfare, accommodation, and other travel related expenses incurred by both business units in pursuit of, and to maintain, our off-shore partnerships with PCCW Hong Kong, IDT HK, Terra ICT and other foreign entities.
- Rent and Dues increased by 47% due to the transfer of offices to RCBC Plaza.
- Professional Fees increased by 340% due to the increase in legal, technical, stock transfer, and listing fees combined.
- Representation Expenses increased by 623% due to the increase pre-Sales activity in IP Converge and in Egames, and also in the hosting of foreign partners as we develop and maintain our partnerships with them.
- Communication expenses which relate to non-network expenses such as mobile calls, trunk line charges, internet hosting and services, increased by 373% due to the increased activity and need to relay information through voice and data networks.
- Supplies and other office expenses increased by 214% due to increased business activity.

- Taxes and Licenses increased by 365% due to the increase in business licenses, taxes and fees associated with incorporating the company's different subsidiaries.
- Repairs and Maintenance decreased by 83%. The main operating equipment utilized by both business units are fairly brand new and of good quality. Moreover, a portion of the repairs and maintenance costs related to the data center business are considered as direct costs, in as much as they are included in the services that we offer to, and that are paid for by, the customers.
- Miscellaneous Expenses which include petty cash and other business expenses increased by 172%.
- Depreciation and Amortization expenses increased by 1,094% due to higher level of capital assets, such as computer and network equipment, leasehold improvements on new office, and accelerated depreciation on leasehold improvements from vacated office, etc.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the Three Months ended March 31, 2006 and 2005:

	For the Three Months Ended		Increase/(Decrease)	
	Mar. 31, 2006	Mar. 31, 2005	Amount	%
Cash Flows generated from Operating Activities	(14,360,322)	837,620	(15,197,942)	-1814%
Cash Flows used in Investing Activities	(3,996,198)	(20,926)	(3,975,272)	18997%
Property and equipment	(4,433,352)	(42,570)	(4,390,782)	10314%
Cash Flows generated from Financing Activities	20,233,905	(2,849,280)	23,083,185	-810%
NET INCREASE (DECREASE) IN CASH	1,877,385	(2,032,586)	3,909,971	-192%
Cash Beginning	3,162,748	2,715,630		
Cash End	5,040,133	683,044		

Our consolidated cash and cash equivalents as of March 31, 2006 amounted to Php5,040,133, up by Php4,357,089 from the same period in 2005, and an increase by Php1,877,385 from beginning of the year 2006. The primary sources of our cash and cash equivalents were cash flow from financing activities amounting to Php20,233,905.. In turn, these funds were used to fund cost of operations, various investments in subsidiaries, and in property and equipment. Net cash used in investing activities amounted to Php3,996,198, an increase of Php3,975,272 from 2005.

Financing Activities

We primarily sourced financing from (i) equity investments in IP Egames by the Philstar group, which generated Php15,000,000 in fresh funds for the subdiairy, and (ii) short-term loans from an officer of the company to finance working capital requirements of IP Converge, amounting to Php5,233,905.

Net cash provided by financing activities amounted to **Php20,233,905**, an increase from a negative position (use of funds) in 2005.

Operating Activities

Our consolidated cash flow used in operating activities as of March 31, 2006 amounted to Php14,360,322 or an increase from a positive position (generated by) of Php837,620 as of March 31, 2005. Funds were mainly used by the operating units, both of which reported a net use of funds.

Investing Activities

By March 31, 2006, we invested a total net amount of Php3,996,198 in additional equipment for IP Converge, and IP Egames through additional finance lease on servers with PCI Leasing and Finance Corp., or an increase of Php3.9MM during the same period in 2005.

Financing Requirements

In 2006, we will continue to strengthen our cash and liquidity position as we grow the business, increase our customer and subscriber base, and expand our existing facilities. We have lined up the following initiatives:

- We are currently in discussions with several banks to obtain long-term credit facilities to finance the expansion of our data center facility in RCBC Plaza.
- We are also in preliminary discussions with several groups for possible equity investments into the parent company, or into the individual subsidiaries by 3rd or 4th quarter of 2006. The proceeds will be used to finance the expansion of the business, acquisition of new titles for the gaming business, and working capital.

We believe that our present cash position and our on-going cash flows from both business units will be able to sustain our operations until we generate additional cash from the aforementioned activities. We also continue to look for ways to provide for an efficient and cost-effective working environment, in order for the company to realize break-even levels as soon as possible.

Discussions on Risks

Our risk dynamics remain similar to previous periods. Like any business operating in the Philippines, we are faced with potentially adverse effects of any changes in the country's socio-political landscape. Political instability continues to weigh heavily on the Philippines.

- About Seventy-Five Percent (75%) of our customers and monthly billings are denominated in USD, and therefore we have a natural hedge against exchange rate fluctuations. Most of our supplier contracts for bandwidth services and equipment purchases are also denominated in USD.

- The increase in Corporate Income Tax to 35% will immediately affect the net income of the company. The changes in the Value Added Tax from 10% to 12% will continue to be felt in 2006 with its implementation in February 2006.

Other than the above-mentioned risks, no other known trends, events or uncertainties will have a material impact on the company's net sales and income from continuing operations.

Requirements under SRC Rule 17 and 68.1

Any events that will trigger direct or contingent financial obligation, that is material to the company, including default or acceleration of an obligation.

The company does not foresee any event that would trigger direct or contingent financial obligation, including default or acceleration of any obligation.

All material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Under the terms of the Agreement with Reach Network Philippines Inc. and IP Converge Data Center for the acquisition of the assets of the former's data center facilities, IP Converge has opened Standby Letter of Credit with a local bank in favor of Reach Network Philippines Inc. that allows Reach to draw against the SBLC in the event that IP Converge ceases its business operations and vacates the premises at the 34^{th} floor.

Any significant elements of income or loss that did not arise from the issuer's continuing operations.

The company does not foresee any extraordinary income or charges that would arise from non-core operating business.

Issuances, repurchases, and repayments of debt and equity securities.

None to disclose.

Any change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

None to disclose.

Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

None to disclose.

Disclosures not made under SEC Form 17-C.

None. Disclosures made under SEC Form 17-C, if there is any, have been filed during the period.

Other subsequent events disclosed under SEC Form 17-C.

IPVG Corp. entered into a Joint-Venture Agreement with iGames Asia Pte Ltd whereby IPVG and IGA will form a joint venture company to pursue business in the Philippines, particularly to exclusively sell, distribute, and publish the full suite of IGA products including PC gaming titles from Vivendi Universal Games ("VUG") such as Warcraft, Starcraft, and F.E.A.R. *(Reference : SEC 17-C dated April 21, 2006)*

OTHER OPERATIONAL INFORMATION

DIRECTORS

As of March 31, 2006, the directors of the company are as follows:

Name	Age	Citizenship	Positions held	Term of Office
Jaime C. Gonzalez	60	Filipino	Director, Chairman,	11 June 2003 - present
Jaime Enrique Y. Gonzalez	29	Filipino	Managing Director, & President	11 June 2003 – present
Srinivas Polishetty	40	Indian	Director, Treasurer	13 Feb 2004 - present
Marco Antonio Y. Santos	37	Filipino	Director, Vice Chairman	13 Feb 2004 - present
Christopher Cox	36	American	Director	13 Feb 2004 - present
Rene Fuentes	59	Filipino	Independent Director	13 Feb 2004 - present
Ari-Ben C. Sebastian	45	Filipino	Director	13 Feb 2004 – present
Datuk Ninian Mogan Lourdenadin	51	Malaysian	Director	13 Feb 2004 – present
Susan Rajanayagam	45	Malaysian	Director	28 April 2004 – present
Carlos G. Dominguez	60	Filipino	Director	22 October 2004 – present
Victor S. Tanjuatco	58	Filipino	Independent Director	22 October 2004 –present
Sheila Quien – Feliciano	31	Filipino	Corporate Secretary	27 October 2005 – present

EXECUTIVE OFFICERS

The Company boasts an experienced team of entrepreneurs who have been pioneers in the internet space, and recognized professional executives in I.T and telecommunications. The management group brings more than 100 years of combined experience to the Company.

Enrique Gonzalez Chief Executive Officer, IPVG

Enrique is the founding director of IPVG Corp. He had a series of successful start-up internet ventures including match.ph & itzamatch.com, which were both acquired by Bigfoot Ventures (NY, USA), and Adobo Interactive which was acquired by Philippine-listed subsidiary of Malaysian conglomerate MBf (now IPVG). Enrique also briefly sat on the board of Edsamail Holdings Pte Ltd., formerly a leading I.S.P and e-mail provider. Enrique went to Middlebury College, and Asian Institute of Management (AIM).

Roger Stone Deputy Chairman and Senior Advisor (since January 2005)

Roger joined the company as a Senior Consultant who is tasked to spearhead the company's business development efforts, and to generally re-engineer the organization to align to the company's specific goals. Mr. Roger Stone brings to IPVG more than thirty (30) years experience in the areas of marketing, sales, software development and executive management in the IT and telecommunications industries. For a number of years he ran his own consultancy business and leveraged his exposure to European, Asian & Pacific rim, Central and Latin American business markets. Roger has specialized in establishing new operations, including joint ventures, in emerging markets. Roger has spent almost 20 years of his career working outside the United Kingdom in Austria, Hong Kong, India, Philippines, Vietnam, Thailand and Costa Rica and has held senior management posts in IT companies including CEO of a UK based plc. He graduated from Loughborough University of Technology in the United Kingdom with an Honours degree in Aero /Automotive Engineering.

Reynaldo R. Huergas President, IP Converge Data Center Inc. (since January 2006)

Rene is a seasoned executive with a twenty-year track record of successful sales and marketing, business development, management and executive experience in technology, telecommunications, and customer service management in Asia and the United States. Prior to joining IPVG, he was Managing Director for myAyala Inc. Contact Center Solutions and Services Group from June 2005, and for Global Data Hub Inc. (formerly Ayalaport Makati Inc.) from April 2004 to May 2005, where he managed a full-scale data center operation. He spent ten years in Hong Kong, Singapore and Indonesia in companies where he occupied senior management positions, was Vice President for Fixed Networks Group of Globe Telecoms from 1994 to 1997, and was Country Manager for Unisys World Trade Inc. - Indonesia and Singapore.

Steve Tsao President, IP E-Game Ventures Inc. (since January 2004)

Steve has held various management positions over seven (7) years within the companies Dupont and Corning. He has had specific experience in the wide scale deployment of IT Solutions and Operational Integrations of Mergers & Acquisitions. Steve has an MBA from Babson College (presently ranked #1 for Entrepreneurship) and studied International Business at Harvard. Steve is also a pioneering MMOG gamer, starting some of the earliest MMOG communities and portals. He has experience in consulting for some of the top MMOG developers.

Eric P. Paragas Business Manager (since June 2005)

Eric is in charge of developing IPVG's contact center and business process outsourcing initiatives, and was responsible for managing initially the data center operations immediately after the acquisition from Reach. He was Managing Director of Riscuity Inc., the first US licensed and BOI-registered A/R portfolio management company in the Philippines from August 2002 to April 2004, where he was responsible for the Philippine operations including Project Management, IT, Human Resources and Training, Quality Assurance, Marketing, Strategic Planning and Implementation. Prior to that, he was a consultant for Smart Communications as Head of Business Process Analysis and Design Department, Mobile Commerce Group in 2001 and e-Commerce strategist in Sun Microsystems Philippines Inc. Business Consulting Services in 1999. He founded an internet development firm in 1997 called Agora Integrated Solutions Inc, and was head of Investment Center for the Subic Bay Metropolitan Authority. He holds a Degree in Finance and International Business, Minor in Biology at the University of Texas, Austin, Texas (1991).

Warren Liu Chief Technology Officer (since November 2003)

Warren has eight (8) years of experience in the Gaming and Technology Industry. He has consulted and managed network solutions for clients in the United States as well as throughout Asia. He is the founder of Wewp!, one of the first gaming review websites, which subsequently made a successful transition to a private financing group. He is the founder and director of Virtual Batavia a pioneering company in the mobile and technology sector. He has been one of the pioneers in the MMOG space in terms of community and market understanding.

Emmanuel L. Jalandoni Chief Financial Officer (since April 2004)

Manman has seven (7) years experience in Banking - 4 years as treasury officer and 3 years as Cash Management and Electronic Banking officer at Citibank Manila. After his stint in the banking sector, he transitioned to the Information Technology field as Program Manager for Wholesale Banking solutions at Unisys Asia Division, and subsequently to Finance as Chief Finance Officer in charge of accounting, finance, and human resources management with Edsamail Holdings, TouchMedia Philippines, and Market Intelligence. He has a Bachelor of Science degree from the Ateneo de Manila University, major in Management Engineering.

Sheila Quien – Feliciano Legal Counsel and Corporate Secretary (since November 2005)

Sheila has six (6) years experience in corporate law. She started her legal practice as an Associate with De Borja Medialdea Serapio Guevarra & Gerodias and thereafter, with Puyat Jacinto & Santos Law Offices where she served as corporate secretary for various corporations and was involved in joint ventures, mergers & acquisitions, intellectual property and other corporate matters. She joined The Music One Corporation in 2002 and held the position of Vice President – Legal until October 2005 where she acted as corporate secretary and legal counsel for the company and its affiliates and exercised supervisory authority over its various departments. She has a Juris Doctor Degree from the Ateneo de Manila University, School of Law and passed the Bar Examinations in 2000.

Raymund Del Val SVP-Sales & Distribution (Since January 2006)

Raymund was formerly country director for Nokia Networks, and General Manager for Hewlett Packard (HP) and Sun Microsystems. During Raymund's tenure at HP he saw the growth in annual turnover from $20M USD to $120M USD. He currently heads the Sales and Distribution group of E-Games.

IPVG CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2006 **(UNAUDITED)** AND AS OF DECEMBER 31, 2005 **(AUDITED)**

IPVG CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
Unaudited Balance Sheet as of March 31, 2006
and Audited Balance Sheet as of December 31, 2005

ASSETS	March 31, 2006 (UNAUDITED)	December 31, 2005 (AUDITED)	Increase / (Decrease)
Current Assets			
Cash	5,040,133	3,162,748	1,877,385
Receivables	19,155,905	10,823,973	8,331,932
Due from Related Parties	7,562,708	3,183,542	4,379,166
Prepaid Expenses and Other Current Assets	7,593,455	5,007,955	2,585,500
Total Current Assets	**39,352,201**	**22,178,218**	17,173,983
Non-Current Assets			
Investments in Shares of Stock	-	-	-
Property Plant and Equipment - net	60,428,997	60,675,339	(246,342)
Intangible Assets	9,054,740	9,491,895	(437,155)
Deferred Income Tax - Net	6,113,760	6,113,760	-
Other Assets	12,243,693	12,243,693	-
Total Non-Current Assets	**87,841,191**	**88,524,687**	(683,496)
TOTAL ASSETS	**127,193,391**	**110,702,905**	16,490,486
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses	32,410,117	41,938,270	(9,528,153)
Short-Term Loans	56,152,335	50,918,430	5,233,905
Current Portion of Obligations under Finance Lease	2,136,429	2,908,759	(772,330)
Other Current Liabilities	24,478,403	7,928,238	16,550,165
Total Current Liabilities	**115,177,284**	**103,693,697**	11,483,587
Non-Current Liabilities			
Advances from Officers and Stockholders	4,313,102	4,313,102	-
Obligations under Finance Lease - Net of Current Portion	11,292,130	6,890,199	4,401,931
Other Non-Current Liabilities	11,271,297	11,271,296	-
Total Non-Current Liabilities	**26,876,529**	**22,474,597**	4,401,932
Total Liabilities	**142,053,813**	**126,168,294**	15,885,519
Minority Interest	(3,080,388)	(3,080,388)	-
Share in Accumulated Losses of Subsidiaries in excess of Investments	(3,005,248)	(3,005,248)	
Stockholders' Equity	**(8,774,786)**	**(9,379,753)**	604,967
TOTAL LIABILITIES and STOCKHOLDERS EQUITY	**127,193,391**	**110,702,905**	16,490,486

IPVG CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Three Months Ended		Increase/(Decrease)	
	March 31, 2006	March 31, 2005	Amount	%
REVENUE				
Service Income (Note 11)	26,097,485	2,913,806		
Less: Discount	166,144	-		
Total Revenue	**25,931,341**	**2,913,806**	23,017,535	790%
COST OF SERVICES	16,538,838	-		
GROSS PROFIT	9,392,503	2,913,806	6,478,697	222%
	36%			
EXPENSES				
Salaries and other Employee Benefits	7,697,691	2,915,113	4,782,578	164%
Depreciation and Amortization	4,679,694	391,917	4,287,777	1094%
Advertising and Promotions	3,645,203	18,895	3,626,308	19192%
Professional Fees	2,640,817	600,279	2,040,538	340%
Rent and Dues	984,352	668,929	315,423	47%
Transportation and Travel	643,371	335,436	307,935	92%
Representation	433,859	59,990	373,869	623%
Communication	393,588	83,226	310,362	373%
Fees & Subscription	345,416	-	345,416	NA
Supplies and Other Office Expenses	228,197	72,615	155,582	214%
Taxes and licenses	201,962	43,387	158,575	365%
Commission	135,000	15,909	119,091	749%
Utilities	20,357	193,562	(173,205)	-89%
Repairs and Maintenance	8,750	51,916	(43,166)	-83%
Miscellaneous	242,084	88,980	153,104	172%
TOTAL Expenses	**22,300,341**	**5,540,155**	16,760,186	303%
Loss From Operations	**(12,907,838)**	**(2,626,349)**	(10,281,489)	391%
Other Income/ (Charges) - Net	(2,108,026)	4,812	(2,112,838)	-43909%
Loss Before Income Tax	**(15,015,864)**	**(2,621,537)**	(12,394,327)	473%
Income Tax		-		
Net Profit (Loss)	**(15,015,864)**	**(2,621,537)**	(12,394,327)	473%

IPVG CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Three Months Ended	
	March 31, 2006	March 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(14,395,032)	(2,681,981)
Adjustments for:		
Provision for doubtful accounts		
Depreciation and amortization	4,679,694	391,917
Stock options benefit		
Interest expense		
Loss on disposal of property and equipment		
Interest income	(6,849)	
Operating loss before working capital changes	(9,722,186)	(2,290,064)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(8,331,932)	3,718,864
Due from related parties	(4,379,166)	
Prepaid expenses and other current assets	(2,585,500)	(758,615)
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,528,153)	(60,338)
Obligations under finance lease	3,629,602	
Other current liabilities	16,550,165	227,773
Cash generated by (used in) operations	(14,367,171)	837,620
Interest received	6,849	
Income taxes paid		
Interest paid		
Net cash provided by (used in) operating activities	(14,360,322)	837,620
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investment in shares of stock		
Proceeds from disposal of property and equipment		
Acquisitions of:		
Property and equipment	(4,433,352)	(42,570)
Intangible assets	437,155	21,644
Increase in other assets		
Net cash used in investing activities	(3,996,198)	(20,926)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	5,233,905	
Increase in other noncurrent liabilities	0	
Deposits for future stocks subscription	15,000,000	
Increase in share in accumulated losses of subsidiaries in excess of investments		
Repayment of advances from officers and stockholders		(2,849,280)
Net cash provided by financing activities	20,233,905	(2,849,280)
NET INCREASE (DECREASE) IN CASH	1,877,385	(2,032,586)
CASH AT BEGINNING OF YEAR	3,162,748	2,715,630
CASH AT END OF YEAR	5,040,133	683,044

IPVG CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)

	For Three Months Ending	
	March 31, 2006	March 31, 2005
COMMON STOCK - P1 par value		
Authorized - 500,000,000 shares		
Issued - 371,980,785 shares	**371,980,785**	371,980,785
Issuance of Shares of Stock - 25MM Private Placement	**25,000,000**	
ADDITIONAL PAID-IN CAPITAL	**41,371,290**	41,371,290
COMMON STOCK OPTIONS OUTSTANDING	**5,125,000**	-
DEPOSITS FOR FUTURE STOCKS SUBSCRIPTION		
Balance at beginning of year	**26,259,333**	19,844,370
Transfer to Capital Stock	**(25,000,000)**	
Additional deposits during the period	**15,000,000**	
Balance at end of the period	**16,259,333**	19,844,370
DEFICIT		
Balance at beginning of year, as previously reported	**(454,032,273)**	(411,850,469)
Effect of change in accounting policy		-
Balance at beginning of year, as restated	**(454,032,273)**	(411,850,469)
Net loss as previously reported		(2,681,981)
Effect of change in accounting policy (Note 22)	**-**	-
Net loss as restated	**(14,395,032)**	(2,681,981)
Balance at end of year, as restated	**(468,427,305)**	(414,532,450)
Treasury Stock	**(83,888)**	(83,888)
MINORITY INTEREST		
Balance at the beginning of year	**(3,080,388)**	
	(P11,855,173)	P18,580,107

IPVG CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

1. Corporate Information

IPVG Corp., formerly MBf, Inc. (the Parent Company) is a company incorporated in the Philippines and listed in the Philippine Stock Exchange (PSE). The Parent Company's primary purpose is to invest its funds in media and information technology businesses, as well as engage in management of investment in media and information technology industry, and to engage in the business of providing internet, intranet, extranet, content delivery, non-regulated on-line gaming, non-regulated computer game retailing, call centers, data center and value-added services to any and all types of information technology users, whether private or government-owned, in the local, regional and global markets, including but not limited to reselling manufacturing, assembling, processing, producing, inventing and developing, any and all kinds of communication products and services; purchase, sale, import and export, license, distribution and rental of any computer hardware, equipment and all other types of similar or allied products and the components thereof; engage in e-commerce, including but not limited to purchase, sale, import and export distribution and marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, ware and merchandise of every kind and description through the use of internet, intranet, extranet and other value-added services; and in consequence or as may be necessarily useful and convenient in the premises, carry on and undertake such activities which may be reasonably and conveniently carried on in connection with or incidental to the above purpose, or calculated, directly or indirectly, to enhance the value of or render profitable, any of the Corporation's property or rights.

The Parent Company's registered office address is at 34th Floor, Tower 2, RCBC Plaza, Ayala Avenue, Makati City.

The consolidated financial statements of IPVG Corp. and Subsidiaries (the Group) as of and for the quarter ended March 31, 2006 were authorized for issue by the Management Committee on May 11, 2006.

2. Summary of Significant Accounting Policies

The following summary explains the significant accounting policies which have been adopted by the Group in the preparation of the consolidated financial statements:

<u>Basis of Preparation</u>
The consolidated financial statements have been prepared in conformity with the accounting principles generally accepted in the Philippines (Philippine GAAP), as set forth in Philippine Financial Reporting Standards (PFRS). These are the Group's first PFRS consolidated financial statements where PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards,* has been applied.

An explanation of how the transition to PFRS has affected the reported financial position and financial performance of the Group is provided in Note 22.

The Group has resumed the three-year comparative presentation, as required by the SEC, for financial statements beginning January 1, 2006 and onwards.

The consolidated financial statements are presented in Philippine Pesos and under the historical cost convention method.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening PFRS balance sheet at January 1, 2004 for the purposes of the transition to PFRS.

Principles of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the individual accounts of the following subsidiaries:

Name of Subsidiary	*Proportion of Ownership Interest Held by*		*Effective Equity Interest of the Parent Company*
	Parent Company	*Subsidiary*	
IP E-Game Ventures Inc. (IPEG)	100.00%		100.00%
IP Converge Data Center, Inc.(IPDC)	100.00%		100.00%
International On-line Games, Inc. (IOG)	100.00%		100.00%
IP Converge Data Services, Inc. (IPDS)		100.00%	100.00%
Single Search Philippines, Inc. (SSPI)	50.94%		50.94%
Next Sequel Interactive Inc. (NSI)	33.33%		33.33%

IPEG is a company registered and incorporated in the Philippines to engage in the business of interactive gaming and content distribution. IPEG has started commercial operations March 31, 2006. An Investment Agreement was entered into between IPVG Corp. and the Philstar Group for the acquisition of Twenty Percent (20%) of IPEG on February 2006, through the issuance of new shares out of the unissued portion of the capital stock of IPEG.

IPDC is a company registered and incorporated in the Philippines to develop, produce, design, integrate, sell, buy or otherwise deal with goods and services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication.

IOG is a company registered and incorporated in the Philippines to engage in the business of interactive gaming and content distribution, catering to the local, regional and global market and provide internet, intranet, extranet and other related value-added services. IOG has not started commercial operations as of March 31, 2006.

IPDS is a company registered and incorporated in the Philippines to render various services and applications such as data center services, co-location services and managed services. IPDS has not started commercial operations as of March 31, 2006.

SSPI is a company registered and incorporated in the Philippines to primarily engage in the business of website and data maintenance, phone line services, providing relationship matchmaking services for Filipino citizens over the internet. SSPI has suspended its operations in 2004.

NSI is a company registered and incorporated in the Philippines primarily engaged to create, produce, operate, maintain and carry out audio, visual and audio-visual materials including but not limited to presentations, promotions, commercials, and documentaries through any medium of communication or telecommunication. NSI has suspended its operations in 2005.

Although the Parent Company controls less than 50% of the voting shares of stock of NSI, it has the power to govern the financial and operating policies of the aforementioned entity. Accordingly, NSI was included in the consolidation.

Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date control is transferred out of the Group.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany account balances and transactions were eliminated in the consolidated financial statements.

<u>Adoption of New and Revised Accounting Standards</u>
The Accounting Standards Council approved in 2004 the issuance of new and revised accounting standards which are based on new International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and revised International Accounting Standards arising from the improvements project of the IASB. The new and revised standards are effective for

annual periods beginning on or after January 1, 2005.

Accordingly, effective January 1, 2005, the Group adopted the following PFRS and Philippine Accounting Standards (PAS) which are relevant to its operations.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards;*
- PFRS 2, *Share Based Payment;*
- PFRS 3, *Business Combinations;*
- PAS 1, *Presentation of Financial Statements;*
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors;*
- PAS 10, *Events after the Balance Sheet Date;*
- PAS 16, *Property, Plant and Equipment;*
- PAS 17, *Leases*;
- PAS 19, *Employee Benefits*;
- PAS 21, *The Effects of Changes in Foreign Exchange Rates;*
- PAS 24, *Related Party Disclosures;*
- PAS 27, *Consolidated and Separate Financial Statements;*
- PAS 28, *Investments in Associates;*
- PAS 32, *Financial Instruments; Disclosure and Presentation*
- PAS 36, *Impairment of Assets;*
- PAS 38, *Intangible Assets;* and
- PAS 39, *Financial Instruments: Recognition and Measurement.*

Cash

Cash includes cash on hand and in banks. Cash in banks earns interest at the respective deposit rates.

Receivables

Receivables are recognized and carried at original invoice amounts less allowance for any uncollectible amount. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Investments in Shares of Stock

Investments in shares of stock of companies are accounted for by the cost method. Under this method, investments are carried at cost less impairment losses, if any.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use. Subsequent costs are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. Costs of day-to-day servicing of an asset are recognized as expenses in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Computer equipment	3-5
Office furniture and equipment	3-5
Network equipment	3-7
Leasehold improvements	2-5

The useful lives and depreciation and amortization method are reviewed at each balance sheet date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in current operations.

Intangible Assets
Intangible assets consist of computer software which is measured at cost less accumulated amortization and impairment loss, if any. Amortization is computed using the straight line method over the estimated useful lives of two (2) to five (5) years.

Intangible assets also include acquired goodwill which represents the excess of the cost of the acquisition over the fair value of the net identifiable assets at the date of acquisition. Goodwill is stated at cost less impairment loss, if any. Goodwill is reviewed annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over its useful life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed annually or earlier whenever an indicator of impairment exists.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. Revenue is generally recognized upon the performance of the related service.

Impairment of Assets
The carrying amount of the Group's noncurrent assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of operations.

The recoverable amount of noncurrent assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflow largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share-Based Payment Transactions
Certain employees receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date at which they are granted less the established stock option price of P1 per share. Fair value is determined using the closing rate listed in the PSE.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the option can be exercised.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease.

On the other hand, leases where substantially all the risks and benefits incidental to the ownership of leased properties are transferred to the lessee are classified as finance lease. Minimum lease payments under finance lease are apportioned between the finance charge ad the reduction of the outstanding liability. The interest expense component of finance lease payments is recognized in the consolidated statements of operations using the effective interest rate method.

Borrowing Costs
Borrowing costs are expensed as incurred.

Retirement Cost
Retirement cost is computed based on Republic Act No. 7641 (RA 7641) entitled "Retirement Pay Law" which provides that all employees regardless of position, designation or status and irrespective of the method by which the wages are paid are entitled to retirement benefits provided under (a) compulsory retirement at the age of sixty-five (65); (b) optional retirement at sixty (60) or more but not 65 and have served at least five years in the Company.

Income Taxes
Income tax on the profit or loss for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced, if appropriate.

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. It includes companies in which one or more of the directors and/or controlling interest or are in a position to exercise significant influence therein.

Foreign Currency Translation
The functional and presentation currency of the Group is the Philippine Peso. Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated into Philippines peso using the prevailing exchange rate at balance sheet date. Exchange gains or losses arising from translation of foreign currency denominated items at rates different from those at which they were previously recorded are credited or charged to operations.

Loss per Share

Loss per share is computed by dividing net loss applicable to common stock by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Subsequent Events
Post year-end events that provided additional information about the Company's position at the balance sheet date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Management's Use of Estimates

The preparation of the consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

PAS 1, *Presentation of Financial Statements*, which was adopted by the Group effective January 1, 2005, requires disclosure about key sources of estimation, uncertainty and judgments management has made in the process of applying accounting policies. The following presents a summary of these significant estimates and judgments:

Estimating allowance for doubtful accounts
The Group maintains allowances for doubtful accounts 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 accounts. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

Estimating useful lives of property and equipment and intangible assets
The Group estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each balance sheet date 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 the assets. In addition, estimation of the useful lives of property and equipment and intangible assets 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.

As of March 31, 2006 and December 31, 2005, the carrying amount of the Group's property and equipment amounted to P60,428,997 and P60,675,339 respectively, (see Note 7). On the other hand, as of March 31, 2006 and December 31, 2005, the carrying amount of the Group's intangible assets amounted to P9,054,740 and P9,491,895, respectively, (see Note 8).

Asset impairment
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 the expected historical or projected future 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

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.

Deferred income tax
The Group reviews its deferred income tax assets at each balance sheet date and reduces the carrying amount 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 asset to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

4. Cash

This account consists of the following:

	March 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Cash on hand	**P15,000**	P15,000	P10,100
Cash in banks	**5,025,133**	3,147,748	2,705,530
	P5,040,133	P3,162,748	P2,715,630

5. Receivables

This account consists of the following:

	March 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Trade receivables	**20,291,753**	P14,837,132	P11,130,245
Advances to employees	**-**	79,211	1,272,891
Others	**2,331,485**	2,153,314	919,238
	22,623,238	17,069,657	13,322,374
Less allowance for doubtful accounts	**4,102,813**	6,245,684	4,685,621
	P18,520,425	P10,823,973	P8,636,753

The increase in this account is attributed to the increase in receivables from the data center business and customers.

The Table below shows the aging of the Account:

Aging	**Amount**	**%**
1-30 days	10,612,653	57.3%
31-60 days	1,201,131	6.5%
61-90 days	3,235,886	17.5%
91-120 days	332,556	1.8%
Over 120 days	3,138,198	16.9%

6. Prepaid Expenses and Other Current Assets

This account consists of the following:

	March 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Prepaid expenses	**2,187,266**	1,705,065	270,169
Creditable withholding taxes	**1,135,960**	1,437,629	186,898
Deposits	**1,710,065**	1,053,695	185,667
Input value added taxes (VAT)	**2,560,164**	811,566	-
	P7,593,455	P5,007,955	P642,734

The increase in this account is due to the increase in Input VAT from various purchases and capital expenditures by Egames and IP Converge.

7. Property, Plant and Equipment

The movement of this account consists of the following:

	Office Furn & Fixtures	Leasehold Improvement	Office Equipment	Computer Equipment	Machinery Equipment	Network Equipment	Transport Equipment	Total
Cost:								
Beginning balance	2,538,036	14,228,421	1,145,977	23,914,300	20,883,444	6,623,904	-	69,334,082
Additions from January to March 2006	45,000	233,875	163,964	1,257,322	-	1,620,193	704,464	4,024,818
Disposal			(46,833)					(46,833)
Balance as of March 31, 2006	**2,583,036**	**14,462,295**	**1,263,108**	**25,171,622**	**20,883,444**	**8,244,097**	**704,464**	**73,312,067**
Accumulated Depreciation:								
Beginning balance	402,770	1,286,495	284,761	2,751,231	3,412,733	520,753		8,658,743
Depreciation from January to March 2006	105,373	749,923	103,245	1,374,050	1,359,779	550,168		4,242,540
Disposal			(18,213)					(18,213)
Balance as of March 31, 2006	**508,143**	**2,036,419**	**369,793**	**4,125,281**	**4,772,512**	**1,070,921**	**-**	**12,883,070**
Carrying amount:								
Beginning balance	2,135,267	12,941,925	861,217	21,163,068	17,470,711	6,103,151	-	60,675,339
Balance as of March 31, 2006	**2,074,893**	**12,425,877**	**893,315**	**21,046,340**	**16,110,932**	**7,173,176**	**704,464**	**60,428,997**

8. Accounts Payable and Accrued Expenses

This account consists of the following:

	March 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Accounts payable	**P21,345,973**	P27,468,253	P4,400,668
Accrued expenses	**11,064,144**	14,470,017	744,737
Income tax payable		-	58,589
	P32,410,117	P41,938,270	P5,203,994

The decrease in this account is due to the payment of various amounts owed to suppliers, foremost of which is our payment of our rental dues to RCBC Realty for the lease of our office space.

9. Other Current Liabilities

This account consists of the following:

	March 31, 2006	Dec. 31, 2005	Dec. 31, 2005
Customers deposits	P6,307,107	P4,807,213	P -
Output VAT	1,648,626	-	24,298
Salaries payable	994,129	846,754	-
Interest expense payable	521,259	778,801	-
Unearned service income	14,257,664	450,603	-
Withholding taxes payable	523,047	154,675	298,828
Others	226,571	890,192	716,475
	P24,478,403	P7,928,238	P1,039,601

The increase in this account is attributed to the increase in unearned revenue through advance payments from customers of IP Converge, and to the pre-selling of prepaid cards with the distributors totaling P7MM.

10. Short-Term Loans

In 2005, the Parent Company obtained interest-bearing loans from its officers, totaling to P20,224,863 payable over a period of 60 to 180 days. Interest on these loans ranges from 12% to 18% per annum.

On August 19, 2005, IPDC obtained a short-term loan with interest at the rate of 12% per annum, from Hanley Property Limited, a corporation registered in British Virgin Islands. As of December 31, 2005 the outstanding balance of the loan, including the interest attached thereto amounted to P30,693,567.

In January 5, 2006, IPVG obtained a short-term loan with interest at the rate of 18% from an officer of the company, in the amount of US$100,000.00. This resulted in the increase of P5.2MM in this account.

11. Obligations Under Finance Lease

In 2005, the Parent Company leases certain computer equipment under finance lease agreement with PCI Leasing and Finance, Inc., in behalf of IPEG.

As of December 31, 2005, the net carrying amount of the leased equipment included under the "Property and Equipment" account in the consolidated balance sheets amounted to P13,166,208.

In 2006, the Parent Company obtained an additional line with PCI Leasing for the lease of certain computer equipment on behalf of IPEG, in the amount of Php4.4MM.

12. Service Revenue

This account consists of the following:

	March 31, 2006	March 31, 2005	March 31, 2004
Global Internet Access (GIA)	13,936,490		P -
Co-Location	8,623,384		-
Sponsorship fee		2,913,806	-
Others	3,537,610		-
Less : Discounts	166,144		
	P25,931,341	P2,913,806	P -

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.

IPVG CORP.
Issuer

May 12, 2006
Date

ENRIQUE Y. GONZALEZ
Chief Executive Officer

EMMANUEL L. JALANDONI
Chief Finance Officer

DONNA MANTOS
Finance Manager