

COVER SHEET

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S.E.C. Registration Number

D I V E R S I F I E D F I N A N C I A L

N E T W O R K I N C .

(Company's Full Name)

3 1^s t c o r 2 n d A v e

B o n i f a c i o G l o b a l C i t y

T a g u i g M e t r o M a n i l a

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

Czarina G. Turla

Contact Person

818-0973

Company Telephone Number

MARCH 31, 2009

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-Q

FORM TYPE

Month

Day

Month

Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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**DIVERSIFIED FINANCIAL NETWORK, INC.
(Consolidated First Quarter)**

Office Address:

3/F Bonifacio Global Center
31st Street corner 2nd Avenue
e-Square IT Park-SEZ
Bonifacio Global City
Taguig, Metro Manila
1634

Telephone No.: 818-0973

Fiscal Year Ending: December 31, 2009

SEC FORM 17-Q

Active Secondary License Type and File Number: None

May 20, 2009

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

1. For the quarterly period ended March 31, 2009

2. Commission identification number A199908874

3. BIR Tax Identification No. 202-955-796-000

4. Exact name of registrant as specified in its charter

Diversified Financial Network, Inc.

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

Manila, Philippines

6. Industry Classification Code: (SEC Use Only)

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.....
7. Address of registrant's principal office
Postal Code 1634

3rd Floor Bonifacio Technology Center
31st Street corner 2nd Avenue, E-Square IT Park - SEZ
Bonifacio Global City, Taguig
Metro Manila, Philippines

8. Registrant's telephone number, including area code

(632) 8180973

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

Not Applicable

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common Shares, PhP 1.00 par value</u>	<u>100,000,000</u>

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

Yes No

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

See attached Financial Reports

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

The following discussion should be read in conjunction with the accompanying consolidated financial statements, which form part of the report. Such consolidated financial statements have been prepared in conformity with ...accounting principles generally accepted in the Philippines ("Philippine GAAP").

The Company does not experience any seasonality or cyclicity in its interim operations. Most of the Company's projects have implementation cycles between 6 months to 24 months. As such revenue comparisons on a quarterly basis may not be comparable. In the interim period, there were no unusual incidents in nature, size or events affecting assets, liabilities, equity, net income or cash flows.

Three Months ended March 31 **2009 vs. 2008**

On a consolidated basis, the Company posted revenues of P 34.9 million in the first three months of 2009, a 168.4% increase from the same period last year.

The Company posted a positive EBITDA of Php 2.0 million versus Php (11.3) million for the same period last year. This was an increase of 168.4% from the same period last year.

Consolidated Results of Operation

	<u>For the 3 months ended</u>		Fav/(Unfav)	Fav/(Unfav)
	<u>March 31</u>			
in Php millions	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>%</u>
Revenue	34.9	13.0	21.9	168.4
EBITDA/(Loss)	2.0	(11.3)	13.3	117.6
Net Income	(1.4)	(1.7)	0.3	17.6

Material Changes for Revenue

(1st Quarter 2009 vs 2008)

Service Revenue. Revenues generated by Intelligent Wave (Phils.) Inc. during the first quarter of this year was significantly higher as compared to last year's first quarter attributable to the sale of software licenses.

Rental Revenue. The normal annual escalation of rates and continuous occupancy by tenants in need of BPO facilities resulted in the increase in this quarter's rental revenues.

Costs and Expenses

For the Three Months ended March 31, 2009, the DFNN group spent a consolidated total of approximately Php 32.8 million, Php 8.5 million increase from the same period last year. Of this amount, a substantial portion of this increase can be attributed to the Group's increased spendings on contracted services based on project volumes and the ramp up of its subsidiary Pacific Gaming Investments Pte. Ltd to launch its various projects in the gaming sector.

Material Changes for Costs and Expenses

(1st Quarter 2009 vs 2008)

Personnel. The Group's increase in manpower related charges for activities necessary in the conduct of its operations on project basis contributed to the increase in this account.

Service Fees and Others. There is a continuous expected increase in this account. In line with Pacific Gaming Investment Pte. Ltd's overseas project expansion plans, software development costs and other management costs of services substantially increased this account.

Other operating expenses. Increased travel costs attributable to the continuous project development activities in IWI and PGI offset by a decrease in other operating expenses and utilities caused the changes in these accounts.

Key Performance Indicators

1. Revenue Growth

Huge increase in revenues was brought by the sale of software licenses. Revenue increased by 296.55% for the first quarter of this year.

2. Cost

Total cost increased from Php24.3 million to Php32.8 million for the first quarter or a 34.69% variance. But, cost control measures continue to take effect as other operating costs declined by 54.5%.

3. Profitability

The company registered a positive income from operations of Php267 thousand reversing the previous years' operating loss of Php 6.4 million. The Php1.4 million loss for the quarter mainly was due to interest expenses.

4. Liquidity

Current ratio continued to be positive at 1.56 in 2009 from 1.58 in 2008. Current assets comprised 52% and 50% of Total Assets in the first quarter of 2009 and in year 2008, respectively.

4. Solvency

Capital accounts remained positive this quarter ended at Php 252.6 million.

FINANCIAL CONDITION

As of March 31, 2009 DFNN's consolidated assets totaled approximately Php 470.8 million. DFNN had no long-term debt. The Group reflected approximately Php 252.6 million as stockholders' equity.

The Company's cash position remained liquid throughout the 3-month period. DFNN had consolidated cash and cash equivalents amounting to approximately Php 29.5 million as of March 31, 2009.

On April 9, 2003, DFNN signed an equipment lease agreement with the Philippine Charity Sweepstakes Office (PCSO) to lease to the PCSO the necessary hardware and software for its wireless and payment solutions. As of the First Quarter of 2005, the PCSO has accepted the system, released the Performance Bond posted by the GSIS for DFNN. As of date, the PCSO has not launched its Wireless Payment service. The Company has filed a case with Office of the Ombudsman for the illegal cancellation of the contract to work towards moving this contract to implementation or the recovery of costs and damages. The filing with the Office of the Ombudsman does not preclude other legal action, which the company may take, to insure and protect the shareholder's interest.

DFNN had no material commitments for capital expenditures as of March 31, 2009.

Material Changes of more than 5% in the financial condition of DFNN

(Year-end 2008 vs 1st Quarter 2009)

Cash and Cash Equivalents. Intelligent Wave has improved its revenues this first quarter that contributed significantly to the increase cash proceeds.

Due from Related Parties. Advances to affiliated companies increased to fund their business development expenditures, specifically its subsidiary Pacific Gaming Investments Pte. Ltd and its subsidiaries and affiliated companies. These advances carry the option of converting the advances into additional equity of Pacific Gaming Investments at a pre money enterprise valuation of US\$ 12 Million. This would produce a significant gain for the parent if the acquisition of Pacific Gaming Investments Pte. Ltd by Fastech Synergy Ltd is completed and approved by the regulatory authority.

Accounts Payable and Accrued Expenses. The Group's incurrence of additional service costs brought by its expansion of operations increased the payables and other accrued liabilities accounts respective to short-term borrowings.

Current Portion of Obligation under Finance Lease. There were continuous payments made on the obligation under finance lease arrangement.

Other than those stated above, there were no significant changes or events that impacted on DFNN's continuing operations.

Other than those stated above and to the best of the Company Management's knowledge, Management is not aware of any trend, demand, commitment, event or uncertainty that will have a material impact on the issuer's liquidity. Management is not aware of any event that may trigger any material direct or contingent financial obligation, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period. Management is not aware of any trend, event or uncertainty that may have a material impact (favorable or unfavorable) on the Company's net sales/revenues/income from continuing operations. Management is not aware of any significant element of income or loss that did not arise from the Company's continuing operations.

**DIVERSIFIED FINANCIAL NETWORK, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements as at December 31, 2008
and Quarters ended March 2009 and March 2008

DIVERSIFIED FINANCIAL NETWORK, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 (In Philippine Pesos)

AS OF

	AUDITED DECEMBER 31		UNAUDITED MARCH 31	
	2008		2009	
ASSETS				
Current Assets				
Cash and cash equivalents	P	22,970,335	P	29,566,298
Receivables - net		75,294,235		77,455,486
Due from related parties		115,932,566		125,744,329
Prepaid expenses and other current assets		12,842,811		13,046,968
Total Current Assets		227,039,947		245,813,081
Noncurrent Assets				
Property and equipment - net		26,598,542		26,128,526
Accrued rental receivable-net of current portion		17,834,475		17,834,475
Investment in Shares of Stock		16,773,759		16,773,759
Deferred income tax assets		34,675,505		34,675,505
Other noncurrent assets - net		126,332,112		129,671,532
Total Noncurrent Assets		222,214,393		225,083,797
TOTAL ASSETS	P	449,254,340	P	470,896,878
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	P	52,410,728	P	65,739,484
Loans payable		86,653,502		88,207,370
Current portion of obligation under finance lease		2,096,828		1,287,365
Income tax payable		2,222,786		2,194,467
Total Current Liabilities		143,383,844		157,428,686
Noncurrent Liabilities				
Obligation under finance lease-net of current portion				
Accrued rent		40,337,440		40,337,440
Deferred income tax liabilities		111,604		111,604
Rental deposits		8,051,685		8,107,469
Accrued employee benefits		12,201,171		12,228,819
Total Noncurrent Liabilities		60,701,900		60,785,332
Total Liabilities		204,085,744		218,214,018
Stockholders' Equity				
Equity attributable to equity holders of the Parent Company				
Capital stock- P1 par value				
Authorized - 100,000,000 shares				
Issued and fully paid - 100,000,000 shares		100,000,000		100,000,000
Additional paid-in capital		16,372,102		16,372,102
Deposits for future stock subscription		95,996,584		97,498,084
Cumulative translation adjustment		19,385,153		25,855,638
Deficit		(43,794,707)		(45,255,284)
Shares held by subsidiaries - 330,000 shares in 2007		(619,423)		(619,423)
		187,339,709		193,851,117
Equity attributable to equity holders of the minority interest		(57,828,887)		(58,831,742)
Total Stockholders' Equity		245,168,596		252,682,859
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	P	449,254,340	P	470,896,878

DIVERSIFIED FINANCIAL NETWORK, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(In Philippine Pesos)

	For the 3 months ended			
	March 31			
	2008		2009	
REVENUE				
Service fees	P	6,700,092	P	26,569,496
Rental		6,348,011		8,331,567
		13,048,103		34,901,063
COST AND EXPENSES				
Personnel		8,034,193		8,815,696
Service & other fees		4,143,401		11,748,870
Rent		4,980,518		5,732,385
Travel and Entertainment		3,248,683		3,697,616
Utilities		1,081,622		905,775
Retirement benefit cost		-		619,191
Others		2,887,516		1,313,159
		24,375,934		32,832,692
INCOME(LOSS) BEFORE DEPRECIATION AND AMORTIZATION		(11,327,831)		2,068,371
DEPRECIATION AND AMORTIZATION		1,674,451		1,801,110
INCOME (LOSS) FROM OPERATIONS		(13,002,282)		267,261
Interest expense		1,186,768		1,231,920
Interest Income		(125,661)		(182,828)
Foreign exchange losses-net		(3,310)		(325,052)
Other income-net		(7,647,914)		-
INCOME (LOSS) BEFORE INCOME TAX		(6,412,163)	-	(456,779)
PROVISION FOR (BENEFIT FROM) INCOME TAX		-		944
NET INCOME (LOSS)		(6,412,163)		(457,723)
MINORITY INTEREST		(4,705,276)		1,002,855
NET INCOME (LOSS)	P	(1,706,888)	P	(1,460,579)
Earnings /(Loss) Per Share		(0.018)		(0.015)

DIVERSIFIED FINANCIAL NETWORK, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 (In Philippine Pesos)

	Capital Stock	Additional Paid-In Capital	Deposits for Future Stock Subscriptions	Translation Adjustment	Deficit	Shares held by Subsidiaries	Minority Interest	Total
Balances at December 31,2007	P 92,938,822	P -	P 85,715,013	P (9,514,129)	P (31,893,531)	P (619,423)	P (12,655,839)	P 123,970,913
Translation Adjustment				404,941				404,941
Net loss for the period					(6,412,163)			(6,412,163)
Minority Interest							(4,705,276)	(4,705,276)
Total loss recognized for the year								
Balances at March 31,2008	P 92,938,822	P -	P 85,715,013	P (9,109,188)	P (38,305,694)	P (619,423)	P (17,361,115)	P 113,258,415
Balances at December 31,2008	P 100,000,000	P 16,372,102	P 95,996,584	P 19,385,153	P (43,794,707)	P (619,423)	P 57,828,887	P 245,168,596
Deposits for Future Stock Subscriptions			1,501,500					1,501,500
Translation Adjustment				6,470,485				6,470,485
Net loss for the period					(1,460,579)			(1,460,579)
Minority Interest							1,002,855	1,002,855
Total loss recognized for the year								
Balances at March 31,2009	P 100,000,000	P 16,372,102	P 97,498,084	P 25,855,638	P (45,255,284)	P (619,423)	P 58,831,742	P 252,682,859

DIVERSIFIED FINANCIAL NETWORK, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Philippine Pesos)

	For the 3 months ended	
	March 31	
	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	P (1,706,888)	P (1,460,579)
Adjustments for:		
Depreciation and amortization	1,674,451	1,801,110
Interest Expense	1,186,768	1,231,920
Interest Income	(125,661)	(182,828)
Provision for employee benefits		619,191
Other/ miscellaneous income	(7,647,914)	-
Unrealized foreign exchange gain	(3,310)	(325,052)
Share in Minority Interest	4,705,274	1,002,855
Operating income (loss) before working capital changes	(1,917,280)	2,686,617
Decrease (increase) in:		
Receivables	3,843,189	(2,161,251)
Prepaid expenses and other current assets	(1,187,874)	(204,157)
(Decrease) increase in:		
Accounts payable and other current liabilities	7,829,184	13,328,756
Net cash from (used in) operations	8,567,219	13,649,965
Income taxes paid		(28,319)
Net cash from (used in) operating activities	P 8,567,219	P 13,621,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	(13,720,903)	(3,809,436)
Cumulative Translation Adjustment	(404,941)	4,293,827
Net cash from (used in) investing activities	P (14,125,844)	P 484,391
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	P	P 1,553,868
Proceeds from (advances to) related parties	(3,918,559)	(9,811,763)
(Decrease) Increase of rental deposits	1,053,728	55,784
Payments of obligations under finance lease		(809,463)
Deposits for future stock subscription		1,501,500
Net cash from (used in) financing activities	P (2,864,831)	P (7,510,074)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,423,456)	6,595,963
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	38,730,422	22,970,335
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	P 30,306,967	P 29,566,298

Diversified Financial Network, Inc. and Subsidiaries
Aging of Receivables as of March 31, 2009
(In Philippine Pesos)

		Current	1-30	31-60	61-90	Over		Total
Trade	p	11,261,804	2,664,490	1,951,913	1,265,866	45,439,350	P	62,583,424
Advances to Officers and Employees		315,735	-	-	-	-		315,735
Loans Receivable		-	-	-	-	11,722,320		11,722,320
Others		471,165	-	-	1,445,770	2,815,013		4,731,948
Total	P	12,048,704	2,664,490	1,951,913	2,711,636	59,976,683	P	79,353,426
Less: Allowance for Doubtful Accounts		696,972	-	-	-	1,200,968		1,897,941
Net Amount	p	11,351,732	2,664,490	1,951,913	2,711,636	58,775,714	P	77,455,486