

COVER SHEET

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(Company's full name)

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

Angeline L. Macasaet
Contact Person

750-0211
Company Telephone Number

1 2 3 1
Month Day

Amended SEC Form 17-Q
1st Quarter
Ending 31 March 2013
Form Type

 Month Day
Annual Meeting

2013
Fiscal Year

Secondary License Type, If
Applicable

C F D
Dept. Requiring this doc.
Number/Section

Amended Articles

Total amount of Borrowings
Total No. of Stockholders Domestic Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER



1. For the quarterly period ended March 31, 2013

2. Commission identification number A1996-00179 3. BIR Tax Identification No. 004-668-224

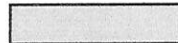
4. Exact name of issuer as specified in its charter

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.

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

MAKATI CITY, PHILIPPINES

6. Industry Classification Code:



(SEC Use Only)

7. Address of issuer's principal office

Postal Code

Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St. corner Dela Rosa and Gil Sts., Legaspi Village, Makati City, Philippines

8. Issuer's telephone number, including area code (0632) 750-0211; 750-0461

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>COMMON STOCK</u>	<u>1,317,278,350</u>

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

Yes [x] No []

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

PHILIPPINE STOCK EXCHANGE

COMMON STOCK

12. Indicate by check mark whether the registrant:

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

Yes [x] No []

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

Yes [x] No []

Part I. Corporate Information

Information Capital Technology Ventures, Inc. was originally incorporated on June 5, 1996 as MF Schroder & Co., Inc., initially to engage in the purchase and sale of securities. MF Schroder & Co., Inc. was then a wholly-owned subsidiary of Amalgamated Investment Bancorporation (AIB), a full-fledged and duly licensed investment house.

In January 2002, MF Schroder & Co., Inc. was renamed Cashrounds, Inc. (Cashrounds), with the primary purpose to engage in the business of securities brokerage relating to the sale, transfer or exchange of every description of shares of stock and bonds, and to execute such transactions with the use of information technology.

On March 22, 2005, a Memorandum of Agreement was executed by AIB and Gamboa Holdings, Inc. (Gamboa), whereby AIB agreed to sell and Gamboa agreed to purchase 18,171,286 or 2/3 of the shares of stock of Cashrounds at an aggregate purchase price of Php74,395,000.00.

The sale of Cashrounds shares to Gamboa was made on June 3 and August 30, 2005 which resulted in Gamboa owning 66.67% of Cashrounds.

On April 28, 2006, Cashrounds entered into a Memorandum of Agreement (MOA) with Next Mobile, Inc. (NMI) and five (5) controlling shareholders of NMI namely, Top Mega Enterprises Limited, Joycelink Holdings Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Foodcamp Industries and Marketing, Inc. (the five companies collectively known as NMI Shareholders) whereby existing shares of NMI owned by the NMI Shareholders were swapped with new shares issued by Cashrounds pursuant to an increase in authorized capital stock.

As a result of the above-mentioned exchange of shares of stock, the NMI Shareholders acquired 97% equity interest of Cashrounds, while Cashrounds acquired 19% of NMI.

On September 19, 2006, the Securities and Exchange Commission (SEC) approved the increase in the authorized capital stock of Cashrounds to Php1.320 billion with corresponding increase of its paid-up capital to Php1,317,278,350 as well as the change of the corporate name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. (the "Company").

On July 24, 2008, the SEC approved the amendment of Article II of the Articles of Incorporation of the Company's Primary Purpose to read as follows:

To engage in the business of providing telecommunications, media and information technology products and services, such as but not limited to the research, development, production, management, marketing, and operation of the following: telecommunications value added services through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; and to do all activities directly or indirectly connected therewith or incident thereto.

On December 10, 2008, the Philippine Stock Exchange (PSE) approved the application of the Company to list additional shares to cover its share-for-share swap transactions with NMI Shareholders. In addition, PSE likewise approved the Company's transfer from the SME Board to the Second Board of the PSE.

On February 20, 2009, the PSE issued a circular informing the investing public of the Company's listing of additional 1,289,278,350 common shares effective February 24, 2009. This is to cover the share-for-share swap transactions with the NMI Shareholders at a swap price of Php1.00 per share.

The transfer of the Company from the SME to the Second Board finally took effect on June 29, 2009.

On March 12, 2010, the Board of Directors of the Company (BOD) approved the Company's transfer from the Second board to the First Board of the PSE. In addition, the BOD approved the Company's increase in authorized capital stock from P1.32 billion to P5 billion as well as the listing of the additional shares from the

increase. Finally, the BOD approved the amendment of the Company's By-Laws that will allow waiver of pre-emptive rights.

During the June 3, 2010 Annual Stockholders' Meeting, the Stockholders of the Company approved the Amendment of the Seventh Article of the Articles of Incorporation (Waiver of Pre-emptive Rights), the increase in the authorized capital stock and approved the listing at the PSE of additional shares from the increase.

On August 3, 2010, the SEC approved the Amendment of the Seventh Article of the Articles of Incorporation of the Company to read as follows:

No stockholder shall have any pre-emptive right of subscription to any class of shares of stock of this Corporation, whether to the present authorized capital stock or any future increases thereof.

On September 1, 2010, the Company entered into an agreement with Softrigger Interactive, Inc. (Softrigger) and Mr. Carlos C. Sevilla whereby the Company shall subscribe to new shares of stock of Softrigger totaling 34,134 which will be equivalent to 50% equity interest in Softrigger post investment.

Softrigger is a leading independent IT solutions and services provider with certified competencies in architecture and planning, technology consulting, and enterprise project management. It is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services.

On October 1, 2010, the Company entered into an agreement with Holy Cow Animation, Inc. (Holy Cow), Ms. Marilyn D.L. Montano and Mr. Danilo F. Montano whereby the Company shall subscribe to new shares of stock of Holy Cow which will be equivalent to 50% equity interest in Holy Cow post investment.

Holy Cow is engaged in the business of providing computerized animation services for film and/or television, including conceptualization, production and execution of shows, programs and advertising campaigns using animation.

On December 16, 2010 the BOD approved the amendment of the Secondary Purposes of the Company's Articles of Incorporation to include the following:

- a. To provide professional services and manpower in the field of telecommunications, media and information technology;
- b. To buy, sell, lease, assemble, import, export, process and deal in any and all classes of materials, merchandise, supplies and commodities of every kind and nature;
- c. To act as commission agent, manufacturer's representative, or principal for the purchase, sale distribution, manufacture, assembly, import or export of any and all classes of materials, merchandise, supplies and commodities of every kind and nature; and
- d. To engage in and carry on the business of general and retail merchants, traders, factors, agents, manufacturers, processors, dealing in or with any and all classes of materials, merchandise, supplies and commodities of every kind and nature.

On December 20, 2010, the Company entered into an agreement with Softweb Consulting, Inc. (Softweb), Ms. Rhennie T. Vilorio, Mr. James Michael V. Santiago and Ms. Angel Madonna V. Santiago whereby the Company shall purchase/subscribe to shares of stock of Softweb which will be equivalent to 50% equity interest in Softweb post investment.

Softweb is engaged in the business of IT consulting services and a reseller of software and hardware and other related products.

On March 8, 2011, the Company filed with PSE its application for transfer from the Second Board to the First Board.

The amendment of the Secondary Purposes of the Company's Articles of Incorporation was ratified by the stockholders of the Company during the June 2, 2011 Annual Stockholders' Meeting.

On March 17, 2011 the Company's Board of Directors confirmed/ratified the establishment of the Company's wholly owned subsidiary named J-Span IT Services, Inc. in Tokyo, Japan. The Board likewise approved the establishment in the Philippines of a wholly-owned subsidiary to be named I-Resource Consulting International, Inc.

On May 25, 2011 the SEC approved the incorporation of I-Resource Consulting International, Inc. as a wholly owned subsidiary of the Company. The primary purpose of I-Resource Consulting International, Inc. is to provide consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.

On June 10, 2011 the SEC approved the incorporation of Porteon SEA, Inc. Porteon SEA, Inc. is a wholly-owned subsidiary of the Company with the primary purpose of engaging in the business of manufacturing, marketing and selling of vehicles of all types, including but not limited to electric vehicles.

The amendment of the Secondary Purposes was approved by the SEC on August 25, 2011.

On September 02, 2011, the Company entered into a Memorandum of Understanding with Huawei International Pte., Ltd., Huawei Technologies Phils., Inc. and NMI. The parties desire to explore the possibility of entering into a business relationship which will allow each party to provide its respective contribution in order to attain the common purpose of implementing NMI's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NMI in partnership with the world's largest information technology company Huawei.

On December 9, 2011, the Company executed a Memorandum of Agreement with the Filipino American Chamber of Commerce of Orange County, a non-profit organization in the State of California, for the use of a digital media portal through the Company's latest technology platform NowPlanet.TV.

On December 29, 2011, the Company entered into an Equipment Supply Contract with Huawei International Pte. Ltd., whereby Huawei shall supply and deliver the necessary telecommunication infrastructure and systems required in the nationwide build-up plans of Next Mobile, Inc., with the Company providing the funding therefor.

On August 25, 2012, the SEC approved the incorporation of I-Professional Search Network, Inc., a wholly-owned subsidiary of the Company. The primary purpose of I-Professional Search Network, Inc. is the recruitment and placement of workers domestically. This is aimed at broadening the Company's base in the area of service-related business as well as to complement the Company's other wholly-owned subsidiary, I-Resource Consulting International, Inc., which provides consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.

Plans and prospects for 2013

ICTV is positioning itself as an Information and Communications Technology (ICT) company of diversified business ventures. The Company will provide ICT products and services globally in Telecommunications, Media and Technology. Revenue will be derived from high-value ICT services.

In 2010, ICTV has chosen Softweb, Inc. (Softweb) to be its Strategic Business Partner for IT Consultancy and Application Development Services. As its partner, Softweb shall be in the development and delivery of cloud-based applications.

ICTV believes that ultimate competition between mobile internet application providers is for control of the ecosystem and user experience, and the owner of the ecosystem will benefit the most in terms of revenue and user loyalty. ICTV also believes mobile applications on the "smartphones" will be the direction of most future applications and that "Cloud Computing" facilities will be the future bank of choice for electronic transactions.

ICTV has been strengthening its ICT capabilities as follows:

- (1) Through supply of highly-skilled ICT professionals for outsourced and Off-shore IT Services with specific emphasis on delivering complete Software Development Life Cycle Services via its division J-Span Computing and wholly-owned subsidiary i-Resource Consulting International, Inc.:
 - a. **J-Span Computing ("J-Span")** a new division of ICTV that has personnel with solid experience and technical competencies to meet the stringent requirement of the Japanese

market. J-Span is also strategically positioned to provide expert IT professional service covering the entire Software Development Life Cycle (SDLC) needs of international clientele. Its information technology outsourcing & off-shoring services cover Technical Architecture Consulting, Research & Development, Software / Systems Performance Improvement, Software Development, Software QA/ Testing and Software Maintenance.

- b. **I-Resource Consulting International, Inc. (“i-Resource”)**, on the other hand, is the IT Professionals resources management team of ICTV. i-Resource was established to find and develop IT Professionals service opportunities in the Philippines with plans of growing global.
- (2) Through delivery of high-value ICT applications. ICTV will develop, deliver and support high-value Open-Source and Proprietary Applications that can be deployed through the “Private Networks” or “Cloud Computing” environment. Our partners for this pursuit are as follows:
- a. **Softweb Consulting, Inc. (“Softweb”)**, a strategic business partner provides development of **generic web-enabled solutions/applications** that are industry neutral with minimum customization needed for deployment. Softweb has business process applications in nine (9) major categories that is ready for deployment on a private network or in a “Cloud Computing” environment.
 - b. **Softrigger Interactive, Inc. (“Softrigger”)**, an accredited Apple, Inc. developer for iPad applications is ICTV’s strategic business partner for the development of **highly customized web-enabled applications**. Softrigger has in its portfolio the electronic political machinery/system “Election Campaign Collaboration & Team Resource Organization Network” (ELECTRON) that was used and found very effective in performing on-line management and monitoring of the 2010 presidential campaign and election. Softrigger has business process applications in six (6) major categories that is similarly ready for deployment on a private network or in a “Cloud Computing” environment.
- (3) Through ICT enabled businesses where convergence and traditional industries come together. ICTV plans to develop, deliver and support ICT-enabled businesses where convergence of traditional and emerging technologies take place such as Electric Vehicle Technology, Animation and Social Networks. Our partners for this pursuit are as follows:
- a. **Holy Cow Animation, Inc. (“Holy Cow”)**, an entertainment animation producer. Holy Cow has competencies in the entire animation production value chain from IPR & Content Development, Script Preparation, Character Design, Storyboard Layout Development, Development of Character Specifications, Background Development, Colors and Visual Effects, Final Sound Recording, Special Sound and Visual Effects, Promotion, Distribution, DVD Release, and Cinema & TV screening. Holy Cow is currently working on an Argentine Animation Project and currently in negotiation to co-produce a 52-episode entertainment production with a Canadian Firm.
 - b. **GiggleIT.net (“GiggleIT”)**, an off-site ICTV support services for web-enabled collaborative application and services. GiggleIT will provide support to ICTV and non-ICTV web-enabled collaborative applications.
 - c. **NowPlanet.TV (“NowPlanet.TV”)** is the digital media brand of ICTV. It is a social business platform that enables enterprises, organizations and institutions to create, manage and sustain their marketing and communications campaigns across multiple mobile devices (Smartphones and Tablet PCs that run on iOS and Android). NowPlanet.TV has launched several Channels for business owners and institutions in order to synergize their marketing and communication efforts, through the use of digital media. It has recently unveiled the Live Streaming coverage of the Impeachment Trial of Chief Justice Renato Corona through the Justice Watch Channel, in partnership with The Asian Institute of Journalism and Communications (AIJC).

- d. **Live-Xchange** (“Live-Xchange”) is an ICTV cloud service. It is a marketplace in the cloud where Real Products, Real Services and Real People are engaged in a Live Exchange. Live-Xchange offers a series of high-end online solutions to help businesses operate efficiently and cost effectively. A milestone achievement of this endeavor is the service offering of the IBM Lotus software in the cloud. This pioneering product of Live-Xchange offers the powerful office solutions of IBM Lotus, from email services to mobile push email, to web conferencing, communication and social media. ICTV, through Live-Xchange, is the first company in the Philippines to offer such service amongst the local IBM Business partners.

ICTV is also investing on the development of Online and Mobile Games and E-Commerce through Thumbmob. These activities are still in the applications development and construction stage.

ICTV is in its final stages of constructing an ICT Data Center Infrastructure to attain its “Cloud Computing” capability. The commissioning into service of this facility will drive the introduction of ICTV’s high-value Open-Source and Proprietary Applications in the virtual world.

This cloud infrastructure facility will open revenue opportunities derived primarily from Software-as-a-Service (SaaS) subscriptions, as well as from customization, integration, maintenance, training and other allied IT services. The proprietary business process applications developed by ICTV affiliates Softweb and Softrigger are in the forefront for this business. GiggleIT, Softweb and Softrigger are also expected to capture different levels of IT support services from existing and prospective clientele.

The use of shared resources in a “Cloud Computing” environment allows ICTV to be in the forefront of change at minimal CAPEX/OPEX. Revenue can be derived from recurring subscriptions of the application services.

Part II. Financial Soundness Indicators

See Annex “A”.

There are no known trends, demand, commitments, events or uncertainties that will have a material impact on the Company’s liquidity, nor any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. There are no significant elements of income or loss that did not arise from the Company’s continuing operations.

There are no material changes from period to period of the financial statements which include vertical and horizontal analyses of any material item.

There are no 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.

As the business volume builds up progressively, the Company also plans to beef up its organization by engaging the right talents particularly to join the telecommunications, media, information technology and product development and marketing teams. The Company plans to spend around PhP30 million to PhP40 million in the next two (2) years for capital expenditures in connection with the launch of its new products and services.

There is no seasonality or cyclicity of the interim operations of the Company.

Part III. Financial Statements

See Annex “B”.

Part IV. Financial Information

First quarter consolidated revenues rose significantly to P15.194M, 82% higher than last year level of Php8.358M following the sustained strong performance of the Company's IT products and services and IT resource management services. IT products and services grew by 109% to Php6.540M against last year of Php3.123M. Meanwhile, revenue from IT Resource Management was also grew by 159% to Php7.393M from last year of Php2.853M. However, Management consultancy fee was reduced to Php1.260M from last year of Php2.355M

Operating Expense for the first quarter is likewise improved significantly by 27% to Php29.384M from last year of Php40.527M. The decrease was partly due to Company restructured loan with Velarde Inc. which includes deferment of accrual of payment of interest which started in November 2012. Also in particular is the decrease in Professional fees by Php 3.483 Million. This is due to termination of contract with Hyder Consulting Ltd., RCS Institute and BSMG Worldwide Inc. The decrease in Equity in losses of associate by Php 1.086M is also contributed to the reduction of operating expenses. However, the decreases in operating expenses were reduced by the increase in Cost of services by 6.9% to Php6.916M and Outside services by 8.9% to Php14.370M. These were incurred to support the growth of revenue and its thrust to focus on providing high value ICT services. Other expenses consist of Rental at Php 1.241M, Transportation & Travel at Php190K, Entertainment, amusement and recreation at Php307K, Communication at Php1.344M, Light and Water at Php 958K, Taxes & Licenses at Php204K, and Depreciation of Transportation and Office Equipment's at Php1.388M. Total Net income (loss) for the first quarter is (Php14.190M) or 55.9% lower than last year of (Php32.168M).

As of March 2013, the total consolidated assets of ICTV stood at Php1.435 Billion compared with last year of Php1.417 Billion or an increase by Php17.758 Million. Current Assets increased by Php22.04M or 28.5% to Php99.368M were due to the increase in trade receivables by Php13.751M, increase in amounts owed by related parties by Php9.993M, while other current assets decreased by Php1.21M and Cash balance decreased by Php0.497M. However, non-current assets decreased by Php4.278MM due to impairment of the Company's investment to Softriger of Php3.896M and increase in depreciation of transportation and Office Equipment by Php0.192M.

Current liabilities decreased by Php142.753M were brought about by the reclassification to non-current liabilities of the advances owed to related parties amounting to Php285.104M. These advances were used to finance the working capital and investment requirement of the Company. In 2012, the Company restructured the loan extended by Velarde, Inc. from current liability to long-term liability and agreed further for the deferment on the accrual and payment of interest starting November 2012 while the Company is unable to pay but such period shall not exceed three (3) years.

The Company secured a loan from a commercial bank since Oct. 2012 amounting to Php40.5M and another P4.0M in Feb.2013. These were used to finance the operational requirements of the Company. ICTV has accessed \$1.0M collateral from Velarde, Inc. which will be used for a peso loan from Commercial bank with Velarde, Inc. providing collateral. It was agreed by the parties that ICTV will pay the principal of the loan plus the effective interest rates ranging from 2.79% to 3.8% per annum. For providing the collateral to ICTV, ICTV shall pay Velarde, Inc. with agreed reduced annual interest rate of 15% per annum of the principal amount of the loan.

Obligation under finance lease was likewise decreased by Php5.055M brought about by regular payments made to transportation vehicles under finance lease.

Total Assets stood at Php1.434billion, Liabilities at Php446.163M and Equity at Php968.632 Million.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer _____ **MR. MEL V. VELARDE** _____

Signature and Title _____ **President** _____

Date _____ **14 May 2013** _____

Principal Financial/Accounting Officer/Controller _____ **MR. PATRICIO S. CARLOS** _____

Signature and Title _____ **Treasurer** _____

Date _____ **14 May 2013** _____

Schedule of Financial Indicators
For the Period March 2013 and 2012

		31-March	
		2013	2012
Liquidity	Current Ratio	0.6290	0.2571
Solvency	Debt to Equity Ratio	0.4513	0.2787
Equity	Asset to Equity Ratio	1.4513	1.2787
Interest	Interest Rate Coverage Ratio	-41.856	-2.274
Profitability	Profit Margin	-93.398%	-384.857%
	Return of Assets	-0.989%	-2.270%
	Return of Equity	-1.435%	-2.903%
	Book Value per share	0.7505	0.8413
	Earnings per share	-0.0108	-0.0244

The Financial Indicators are computed as follows:

Liquidity:

Current Ratio = Current Assets/Current Liabilities

Solvency:

Debt to Equity Ratio = Total Liabilities/Total Stockholders' Equity

Equity:

Asset to Equity Ratio = Total Assets/Total Stockholders' Equity

Interest:

Interest Rate Coverage Ratio = Earnings Before Interest and Taxes/Interest Expense

Profitability:

Profit Margin %: Profit margin = Net income/Total Revenue x 100

Return on Assets %: Return on assets = Net Income/Total Assets x 100

Return on Equity % = Net Income/Total Stockholders'Equity x 100

Book Value per share = Total Stockholders'Equity/Average Outstanding Shares

Earning per share = Net Income/Average Outstanding Shares

ANNEX B

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	YTD 2013 (Unaudited)	YTD 2012 (Audited)
ASSETS		
Current Assets		
Cash	1,285,380	1,467,152
Trade and Other receivable (Note 5)	37,076,666	33,444,719
Amounts owed by related parties (Note 11)	55,088,314	52,137,222
Other current assets (Note 6)	5,918,567	5,749,482
Total Current Assets	99,368,927	92,798,575
Noncurrent Assets		
Investments and advances (Note 8)	1,297,328,253	1,294,278,350
Property and equipment - net (Note 9)	15,302,915	16,552,657
Other noncurrent assets (Note 7 and 8)	22,794,601	24,485,434
Total Noncurrent Assets	1,335,425,769	1,335,316,441
TOTAL ASSETS	1,434,794,695	1,428,115,016
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 13)	44,500,000	40,500,000
Current portion of obligations under finance lease (Note 12)	3,076,625	3,076,625
Accounts payable and accrued expenses (Note 10)	107,101,693	102,336,932
Amount owed to related parties (Note 11)	3,298,231	2,948,339
Total Current Liabilities	157,976,549	148,861,896
Noncurrent Liabilities		
Obligations under finance lease - net of current portion (Note 12)	3,082,561	3,683,905
Amount owed to related parties (Note 11)	285,104,000	272,746,632
Total Noncurrent Liabilities	288,186,561	276,430,537
Equity Attributable to Equity Holders of the Parent		
Common stock - P1 par value (Note 13)		
Authorized - 1,320,000,000 shares		
Issued - 1,317,278,350.00 shares	1,317,278,350	1,317,278,350
Deficit	(324,162,211)	(309,971,214)
Cumulative translation adjustments	644,839	644,839
	993,760,978	1,007,951,975
Non-controlling Interest	(5,129,392)	(5,129,392)
Total Equity	988,631,586	1,002,822,583
TOTAL LIABILITIES AND EQUITY	1,434,794,695	1,428,115,016

See accompanying Notes to Consolidated Financial Statements

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	YTD 2013	YTD 2012
	(Unaudited)	(Audited)
REVENUES		
Service fees	13,933,434	43,849,755
Marketing, management and consultancy fees (Note 11)	1,260,000	5,040,028
Interest income (Note 11)	315	1,124,906
	15,193,749	50,014,689
COST AND EXPENSES		
Outside Services (Note 11)	14,370,021	56,202,154
Interest (Note 11 and 13)	331,121	38,785,247
Cost of Services (Note 11)	6,916,800	37,288,755
Communication	1,344,557	7,400,707
Depreciation and amortization (Note 9)	1,388,234	6,952,885
Transportation and travel	190,023	6,386,036
Professional fees	964,156	5,321,818
Advertising and promotion	344,823	4,614,624
Impairment loss on goodwill (Note 7)	-	3,821,331
Light and water	957,860	3,758,867
Rental (Note 11)	1,241,493	3,690,910
Entertainment, amusement and recreation	306,971	3,101,913
Equity in net losses of associates (Note 8)	26,823	3,076,725
Provision on impairment loss on receivables (Note 5)	-	1,094,699
Dues and subscription	293,204	1,084,446
Salaries and other employee benefits	-	916,544
Office supplies	71,872	891,168
Training and development	-	705,731
Commission	5,000	607,101
Taxes and licenses	204,664	460,506
Insurance	20,724	407,283
Repairs and maintenance	166,811	349,653
Foreign exchange losses	5,619	230,396
Directors' fee	13,500	37,725
Others	220,064	734,003
	29,384,340	187,921,227
LOSS BEFORE INCOME TAX	(14,190,591)	(137,906,538)
PROVISION FOR INCOME TAX		
Current:		
Income	-	202,565
Final	406	937
	406	203,502
NET LOSS	(14,190,997)	(138,110,040)
ATTRIBUTABLE TO:		
Equity holders of the Parent	(14,190,997)	(136,684,062)
Non-controlling interests	-	(1,425,978)
	(14,190,997)	(138,110,040)
Basic /Diluted Earnings (Loss) Per Share (Note 15)	(0.0108)	(0.1048)

See accompanying Notes to Consolidated Financial Statements

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	YTD 2013	YTD 2012
	(Unaudited)	(Audited)
NET LOSS ATTRIBUTABLE TO:		
Equity holders of the Parent	(14,190,997)	(136,684,062)
Non-controlling interests	-	(1,425,978)
	(14,190,997)	(138,110,040)
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	596,697
TOTAL COMPREHENSIVE LOSS	(14,190,997)	(137,513,343)
ATTRIBUTABLE TO:		
Equity holders of the parent	(14,190,997)	(136,087,365)
Non-controlling interest	-	(1,425,978)
	(14,190,997)	(137,513,343)

See accompanying Notes to Financial Statements

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	YTD 2013	YTD 2012
	(Unaudited)	(Audited)
CAPITAL STOCK		
Authorized - 1,360,000,000 shares in 2006 and 40,000,000 shares in 2005		
Issued - 1,217,278,350 shares in 2006 and 28,000,000 shares in 2005		
Balance at the beginning of the year	1,317,278,350	1,317,278,350
Issuance		
Balance at end of the year	1,317,278,350	1,317,278,350
RETAINED EARNINGS		
Balance at beginning of the year	(309,971,214)	(173,287,152)
Net loss	(14,190,997)	(136,684,062)
Deficit	(324,162,211)	(309,971,214)
Cumulative Translation Adjustment	644,839	644,839
	(323,517,372)	(309,326,375)
Non-controlling equity	(5,129,392)	(5,129,392)
Balance at end of year	(328,646,764)	(314,455,767)
Total Equity	988,631,586	1,002,822,583

See accompanying Notes to Consolidated Financial Statements

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YTD 2013 (Unaudited)	YTD 2012 (Audited)
Loss before income tax	(14,190,591)	(137,906,538)
Adjustments for:		
Interest expense	331,121	38,785,247
Depreciation and amortization (Note 9)	1,388,234	6,952,885
Impairment loss on goodwill (Note 7)	-	3,821,331
Equity in net losses of associates (Note 8)	26,823	3,076,725
Unrealized foreign exchange loss	-	180,058
Impairment loss on receivables (Note 5)	-	1,094,699
Interest income	(315)	(1,124,906)
Operating income (loss) before working capital changes	(12,444,728)	(85,120,499)
Decrease (increase) in:		
Trade and other receivables	(3,631,947)	(16,357,068)
Other current assets	(169,085)	2,220,905
Increase (decrease)		
Accounts payable and accrued expenses	4,163,416	20,045,271
Net cash generated from (used in) operations	(12,082,344)	(79,211,391)
Interest received	(91)	190,841
Interest paid	(331,121)	(246,076)
Income taxes paid	-	(69,728)
Net cash flows from (used in) operating activities	(12,413,556)	(79,336,354)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Amounts owed by related parties	(2,951,092)	(10,213,022)
Other noncurrent assets	1,622,596	(2,461,186)
Acquisition of property and equipment	(70,255)	(6,745,427)
Investments in associates (Note 7)	(3,076,725)	-
Net cash flows from (used in) investing activities	(4,475,476)	(19,419,635)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	12,707,260	56,764,634
Proceeds from loan availment	4,000,000	40,500,000
Net cash flows from financing activities	16,707,260	97,264,634

NET INCREASE (DECREASE) IN CASH	(181,772)	(1,491,355)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(385)
CASH AT BEGINNING OF THE YEAR	1,467,152	2,958,892
CASH AT END OF THE YEAR	1,285,380	1,467,152

See accompanying Notes to Consolidated Financial Statements

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.
AGING OF TRADE RECEIVABLES**

	<u>31-Mar-13</u>	<u>31-Dec-12</u>
Current	-	-
1 -30 days past due	3,545,968	908,839
31 -60 days past due	764,565	306,088
61 -90 days past due	555,324	-
over 91 days past due	<u>17,876,554</u>	<u>6,646,028</u>
Total	<u><u>22,742,411</u></u>	<u><u>7,860,955</u></u>

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	YTD January to March	
	2013	2012
ASSETS		
Current Assets		
Cash	1,285,380	1,783,021
Trade and Other receivable (Note 5)	37,076,666	23,325,481
Amounts owed by related parties (Note 10)	55,088,314	45,094,527
Other current assets (Note 6)	5,918,567	7,129,218
Total Current Assets	99,368,927	77,332,247
Noncurrent Assets		
Investments and advances (Note 7)	1,297,328,253	1,297,592,865
Property and equipment - net (Note 8)	15,302,915	15,420,964
Other noncurrent assets (Note 7)	22,794,601	26,690,125
Total Noncurrent Assets	1,335,425,769	1,339,703,954
TOTAL ASSETS	1,434,794,695	1,417,036,201
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 12)	44,500,000	-
Current portion of obligations under finance lease (Note 11)	3,076,625	3,437,591
Accounts payable and accrued expenses (Note 9)	107,101,693	56,590,682
Amount owed to related parties (Note 10)	3,298,231	240,631,933
Income tax payable	-	69,728
Total Current Liabilities	157,976,549	300,729,934
Noncurrent Liabilities		
Obligations under finance lease - net of current portion (Note 11)	3,082,561	8,138,475
Amount owed to related parties (Note 10)	285,104,000	-
Total Noncurrent Liabilities	288,186,561	8,138,475
Equity Attributable to Equity Holders of the Parent		
Common stock - P1 par value (Note 13)		
Authorized - 1,320,000,000 shares		
Issued - 1,317,278,350.00 shares	1,317,278,350	1,317,278,350
Deficit	(324,162,211)	(204,341,890)
Cumulative translation adjustments	644,839	48,142
	993,760,978	1,112,984,602
Non-controlling Interest	(5,129,392)	(4,816,810)
Total Equity	988,631,586	1,108,167,792
TOTAL LIABILITIES AND EQUITY	1,434,794,695	1,417,036,201

See accompanying Notes to Consolidated Financial Statements

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	YTD January to March	
	2013	2012
REVENUES		
Service fees	13,933,434	5,976,128
Marketing, management and consultancy fees	1,260,000	2,355,000
Interest income	315	27,336
	15,193,749	8,358,464
COST AND EXPENSES		
Outside Services (Note10)	14,370,021	13,196,204
Cost of Services	6,916,800	6,471,401
Depreciation and amortization (Note8)	1,388,234	1,195,955
Communication	1,344,557	466,189
Rental	1,241,493	587,489
Professional fees	964,156	4,447,430
Light and water	957,860	288,834
Advertising and promotion	344,823	-
Interest (Note10)	331,121	9,824,995
Entertainment, amusement and recreation	306,971	685,298
Dues and subscription	293,204	444,803
Taxes and licenses	204,664	192,257
Transportation and travel	190,023	409,594
Repairs and maintenance	166,811	81,347
Office supplies	71,872	135,765
Insurance	20,724	70,760
Directors' fee	13,500	16,500
Foreign exchange losses	5,619	158
Commission	5,000	351,461
Equity in net losses of associates	26,823	1,113,396
Salaries and other employee benefits	-	328,380
Training and development	-	32,000
Others	220,064	186,382
	29,384,340	40,526,598
INCOME (LOSS) BEFORE INCOME TAX	(14,190,591)	(32,168,134)
PROVISION FOR INCOME TAX		
Current:		
Income	-	-
Final	406	-
	406	-
NET INCOME (LOSS)	(14,190,997)	(32,168,134)
ATTRIBUTABLE TO:		
Equity holders of the Parent	(14,190,997)	(31,054,738)
Non-controlling interests	-	(1,113,396)
	(14,190,997)	(32,168,134)
Basic /Diluted Earnings (Loss) Per Share	(0.0108)	(0.244)

See accompanying Notes to Consolidated Financial Statements

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	YTD January to March	
	2013	2012
CAPITAL STOCK		
Authorized - 1,360,000,000 shares in 2006 and 40,000,000 shares in 2005		
Issued - 1,217,278,350 shares in 2006 and 28,000,000 shares in 2005		
Balance at the beginning of the year	1,317,278,350	1,317,278,350
Issuance		
Balance at end of the year	1,317,278,350	1,317,278,350
RETAINED EARNINGS		
Balance at beginning of the year	(309,971,214)	(173,287,152)
Net income (loss)	(14,190,997)	(31,054,738)
Deficit	(324,162,211)	(204,341,890)
Cumulative Translation Adjustment	644,839	48,142
	(323,517,372)	(204,293,748)
Non-controlling equity	(5,129,392)	(4,816,810)
Balance at end of year	(328,646,764)	(209,110,558)
Total Equity	988,631,586	1,108,167,792

See accompanying Notes to Consolidated Financial Statements

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YTD January to March	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(14,190,591)	(32,168,134)
Adjustments for:		
Interest expense	331,121	9,824,995
Equity in net losses of associates (Note 8)	26,823	1,113,396
Depreciation and amortization (Note 9)	1,388,234	1,195,955
Interest income	(315)	(26,908)
Operating income (loss) before working capital changes	(12,444,728)	(20,060,696)
Decrease (increase) in:		
Trade and other receivables	(3,631,947)	(1,141,812)
Other current assets	(169,085)	1,116,119
Increase (decrease)		
Accounts payable and accrued expenses	4,163,416	(3,409,303)
Net cash generated from (used in) operations	(12,082,344)	(23,495,693)
Interest received	(91)	26,908
Interest paid	(331,121)	
Income taxes paid	-	-
Net cash flows from (used in) operating activities	(12,413,556)	(23,468,786)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Amounts owed by related parties	(2,951,092)	(4,283,722)
Noncurrent assets	1,622,596	(728,328)
Advances to an associate	-	-
Acquisition of property and equipment	(70,255)	(88,627)
Investments in associates (Note 7)	(3,076,725)	(237,790)
Net cash flows from (used in) investing activities	(4,475,476)	(28,807,253)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	12,707,260	27,631,382
Proceeds from loan availment	4,000,000	-
	16,707,260	27,631,382
NET INCREASE (DECREASE) IN CASH	(181,772)	(1,175,871)
CASH AT BEGINNING OF THE YEAR	1,467,152	2,958,892
CASH AT END OF THE YEAR	1,285,380	1,783,021

See accompanying Notes to Consolidated Financial Statements

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Corporate Information

Information Capital Technology Ventures, Inc. (the Company) was a wholly-owned subsidiary of Amalgated Investment Bancorporation (AIB), a full-fledged and duly licensed investment house when it was originally incorporated on June 5, 1996 in the Philippines as MF Shroder & Co., Inc., initially to engage in the purchase and sale of securities. In 2000, AIB expanded the services of the Company by establishing an information technology (IT-enabled) facility geared towards servicing the private equity needs of Small and Medium Enterprises (SME) by matching them on-line with direct equity investors.

In January 2002, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the articles of incorporation which provides for the change in name, from MF Shroder & Co. to Cashrounds, Inc., and the change in the primary purpose. The Company's primary purpose was changed to engage in the business of securities brokerage relating to the sale, transfer or exchange of every description of share of stock and bonds, be it publicly listed or privately held, and to execute such transactions with the use of information technology.

On July 23, 2003, 8,000,000 common shares of the Company were approved to be listed in the Philippine Stock Exchange (PSE) with an issue/share price of ₱1.00 per share.

On March 22, 2005, a Memorandum of Agreement (MOA) was executed by AIB and Gamboa Holdings, Inc. (GHI), whereby AIB agreed to sell and GHI agreed to purchase 18,171,286 or two-thirds (2/3) of the shares of stock of the Company at an aggregate purchase price of ₱74,395,000.

The sale of the Company's shares to GHI was made on June 3, 2005 and August 20, 2005, which resulted in GHI owning 66.67% of the Company.

Through the efforts of IMX Broadband Inc. (IBI), a Certificate of Registration as a value added service provider and voice over internet protocol (VOIP) provider was issued on March 10, 2006 by the National Telecommunications Commission (NTC) to the Company. The registration allowed the Company to operate and maintain VOIP services in all cities and municipalities nationwide.

The Board of Directors (BOD) and the Company's stockholders approved the change in name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. on May 12, 2006 and June 2, 2006, respectively. SEC approved the said change in name in September 19, 2006.

In July 2008, the SEC approved the amendment of the articles of incorporation which provides for the change in the primary purpose from a securities broker to a technology, media and telecommunications (TMT) company. This will enable the Company to start operations relating to various TMT services. These include telecommunications value added service (VAS) through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; as well as activities directly or indirectly connected to these. With the amendment in the articles of incorporation, among the programs that management plans to undertake are providing telecommunications VAS through iDEN, CDMA, GSM and broadband networks worldwide; and, entering the software development services industry by expanding the markets being served by proprietary enterprise solutions it has developed and will develop for inter-network deployment nationwide and worldwide. The Company plans to develop and market worldwide mobile data applications that will run on different platforms. It also plans to develop and market digital media content.

On December 10, 2008, the PSE approved the application of the Company to list additional 1,289,278,350 common shares to cover the share-for-share swap transactions with stockholders of Next Mobile, Inc. (NMI), namely, Top Mega Enterprise, Limited (Top Mega), GHI, Emerald Investments, Inc. (EII), Joycelink Holdings Limited (Joycelink) and Food Camp Industries and Marketing, Inc. (Food Camp), collectively referred to as the NMI shareholders, at a swap price of ₱1.00 per share (see Note 8).

The PSE issued a Notice of Approval of the Company's application for transfer from SME Board to Second Board on June 11, 2009.

On March 12, 2010, the BOD approved a plan to transfer the Company from the Second Board to the First Board of the PSE as well as the listing of additional shares from a BOD-approved increase in authorized capital stock.

On August 3, 2010, the SEC approved the Amendment of the Seventh Article of the Articles of Incorporation of the Company removing the pre-emptive rights of shareholders with respect to subscriptions to any class of shares of stock of the Company.

The PSE issued a Notice of Approval of the Company's application for transfer from SME Board to Second Board on June 11, 2009.

On February 20, 2009, the PSE issued a circular informing the investing public of the Group's listing of additional 1,289,278,350 shares effective February 24, 2009.

On March 12, 2010, the BOD approved a plan to transfer the Company from the Second Board to the First Board of the PSE as well as the listing of additional shares from a BOD-approved increase in authorized capital stock.

On August 3, 2010, the SEC approved the Amendment of the Seventh Article of the Articles of Incorporation of the Company removing the pre-emptive rights of shareholders with respect to subscriptions to any class of shares of stock of the Company.

On September 1, 2010, the Company entered into an agreement with Softrigger Interactive, Inc. (Softrigger) and its stockholder whereby the Company shall subscribe to new shares of stock of Softrigger totaling 34,134 shares which will be equivalent to 50% equity interest in Softrigger, post investment (see Note 8).

Softrigger is a leading independent IT solutions and services provider with certified competencies in architecture and planning technology consulting, and enterprise project management. It is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services.

On October 1, 2010, the Company entered into an agreement with Holy Cow Animation, Inc. (Holy Cow) and its stockholders whereby the Company shall subscribe to new shares of stock of Holy Cow totaling 53,937 shares which will be equivalent to 50% equity interest in Holy Cow, post investment (see Note 8).

Holy Cow is engaged in the business of providing computerized animation services for film and/or television, including conceptualization, production and execution of shows, programs and advertising campaigns using animation.

On December 20, 2010, the Company entered into an agreement with Softweb Consulting, Inc. (Softweb) and its stockholders whereby the Company shall purchase/subscribe to shares of stock of Softweb totaling 5,050 shares which will be equivalent to 50% equity interest in Softweb, post investment (see Note 8).

Softweb Consulting, Inc. is engaged in the business of IT consulting services and reseller of software and hardware and other related products.

On December 21, 2010, the Company has entered into a subscription agreement with Thumbmob Philippines, Inc. (Thumbmob) to subscribe to new shares of stock of Thumbmob totaling 145,834 shares which will be equivalent to 50% equity interest in Thumbmob, post investment (see Note 8).

Thumbmob is engaged in developing, publishing and distributing games and applications for social networking and mobile environments.

On March 8, 2011, the Company filed with PSE its application for transfer from the Second Board to the First Board of the PSE.

The amendment of the Company's Secondary Purposes to include the following was approved by the BOD on December 16, 2010 and ratified by the stockholders of the Company during the June 2, 2011 Annual Stockholders' Meeting:

The amendment of the Company's Secondary Purposes to include the following was ratified by the stockholders of the Company during the June 2, 2011 Annual Stockholders' Meeting.

- a) To provide professional services and manpower in the field of telecommunications, media and information technology.
- b) To buy, sell, lease, assemble, import, export, process and deal in any and all classes of materials, merchandise, supplies and commodities of every kind and nature;

- c) To act as commission agent, manufacturer's representative, or principal for the purchase, sale distribution, manufacture, assembly, import or export of any and all classes of materials, merchandise, supplies and commodities of every kind and nature; and
- d) To engage in and carry on the business of general and retail merchants, traders, factors, agents, manufacturers, processors, dealing in or with any and all classes of materials, merchandise, supplies and commodities of every kind and nature.

On March 17, 2011 the Company's BOD confirmed/ratified the establishment of the Company's wholly-owned subsidiary named J-Span IT Services, Inc. (JSIT) in Tokyo, Japan. The BOD likewise approved the establishment in the Philippines of a wholly-owned subsidiary to be named I-Resource Consulting International, Inc. (I-Resource).

On May 25, 2011, the SEC approved the incorporation of I-Resource as a wholly owned subsidiary of the Company. The primary purpose of I-Resource is to provide consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.

On June 10, 2011, the SEC approved the incorporation of Porteon SEA, Inc., a wholly-owned subsidiary of the Company with the primary purpose of engaging in the business of manufacturing, marketing and selling of vehicles of all types, including but not limited to electric vehicles.

The amendment of the Secondary Purposes was approved by the SEC on August 25, 2011.

On September 02, 2011, the Company entered into a Memorandum of Understanding with Huawei International Pte., Ltd., Huawei Technologies Phils., Inc. and NMI. The parties desire to explore the possibility of entering into a business relationship which will allow each party to provide its respective contribution in order to attain the common purpose of implementing NMI's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NMI in partnership with the world's largest information technology company Huawei.

On December 9, 2011, the Company executed a Memorandum of Agreement with the Filipino American Chamber of Commerce of Orange County, a non-profit organization in the State of California, for the use of a digital media portal through the Company's latest technology platform NowPlanet.TV.

The Company has finished the development of its first telematics product the iScan. Telematics is a system that involves the integration of telecommunications and informatics, with products and services that will provide mobile services using Blackberry and Nokia phones. The Company is now planning how to launch these mobile application products and services. For the planned commercial launch of some of the products/services, the Company started to establish its operations and back-end processes through service outsourcing during the second half of 2010. The services of management, sales, technical and administrative personnel are also being sourced from Knowledge Professionals Service Cooperative (KPSC). The Company is currently putting up its team in preparation for its business process outsourcing business which include among others software development, programming, cloud computing and financial processes to serve the local and the international markets.

With recent developments in the IT industry, the Company wants to focus on providing high-value Information and Communications Technologies (ICT) Services. This includes providing highly skilled ICT professionals which includes software developers, programmers and engineers, project management professionals and animators mostly to the international markets. It also plans to deliver high-value ICT open-source or proprietary applications to specific market niches where revenues will be generated through customization, integration, training and the like. The Company also plans to partner with ICT-enabled businesses where convergence in traditional industries take place such as in transport, animation, social networking and even healthcare.

On August 15, 2012, the SEC approved the incorporation of I-Professional Search Network, Inc. (I-Professional), a wholly-owned subsidiary of the Company. The primary purpose of I-Professional is the recruitment and placement of workers in the Philippines.

As of December 31, 2012, 2011 and 2010, the Company has 71, 66 and 64 shareholders, respectively.

In 2012, the Company changed its principal place of business from Level 3, Tower I, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City to Unit 5-I, 5th Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

During the March 12, 2013 Regular BOD Meeting, the BOD delegated to the Chairman and President the authority to approve the issuance of the consolidated financial statements of the Company and its

Subsidiaries (collectively referred to as the Group) as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012.

The consolidated financial statements of the Group as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were authorized for issue by the Chairman and President on April 26, 2013.

2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine peso, which is the Group's functional and presentation currency. All amounts are rounded off to the nearest peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS which were adopted as of January 1, 2012:

PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)

PFRS 7 amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)

PAS 12 amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Group's financial position or performance.

New Accounting Standards, Philippine Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2012

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations from IFRIC to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)

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

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;

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

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on January 1, 2013 or otherwise stated. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27, *Consolidated and Separate Financial Statements*. The Group will assess the impact of the standard on the Group's financial statements.

PFRS 11, Joint Arrangements

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of PFRS 11 will have no impact on the Group's financial statements.

PFRS 12, Disclosure of Interests in Other Entities

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and will have no impact on the Group's financial statements.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

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

PAS 1 amendments change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI. The amendments affect presentation only and will have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

PAS 19, Employee Benefits (Revised)

PAS 19 amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. The revision will have no impact in the Group's financial statements.

PAS 27, Separate Financial Statements (as revised in 2011)

PAS 27 revision is a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The Group will assess the impact of the revision on the Group's financial statements.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)

PAS 28 revision is a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 will not have an impact on the Group's financial statements.

Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

Philippine Interpretation IFRIC 20 applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

This interpretation becomes effective for annual periods beginning on or after January 1, 2013. The Group expects that this interpretation will not have any impact on its financial position or performance.

Effective in 2014

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

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

Effective in 2015

PFRS 9, Financial Instruments

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 and therefore the consolidated financial statements as at and for the year ended December 31, 2012 do not reflect the impact of the said standard. The Group, at present, decided not to early adopt the amendments to PFRS 9 in its 2013 financial reporting.

The Group's AFS financial assets may be affected by the adoption of this standard in 2015.

Effective Date Deferred

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or

through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

Annual Improvements to PFRS (2009-2011 cycle)

PFRS 1, First-time Adoption of PFRS - Borrowing Costs

PFRS 1 amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information

PAS 1 Amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments are effective for annual periods beginning on or after January 1, 2013 and are to be applied retrospectively. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment

PAS 16 amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The amendment will not have any significant impact on the Group's financial position or performance.

PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments

PAS 32 amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The Group expects that this amendment will not have any impact on its financial position or performance.

PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

PAS 34 amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The amendment will have no impact on the Group's financial position or performance.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Group as follows:

	Nature of Business	Percentage of Ownership		
		2012	2011	2010
JSIT ¹	Service	100%	100%	—
Porteon SEA, Inc. (Porteon)*	Manufacturing	100%	100%	—
I-Resource ¹	Service	100%	100%	—
I-Professional*	Service	100%	—	—
Softrigger	Service	67%	67%	—

¹ JSIT, Porteon and I-Resource were incorporated in 2011.

* Not yet started commercial operations in 2012.

Except for JSIT, which was incorporated in Japan, all the subsidiaries were incorporated in the Philippines.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive statement income to profit or loss or retained earnings, as appropriate.

Transactions with Non-controlling Interest

Non-controlling interest represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately, from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity holders transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

3. Summary of Significant Accounting Policies

Business Combination and Goodwill

The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire pertaining to instruments that represent present ownership interest and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

If the combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset of liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to

other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than carrying amount, an impairment loss is recognized.

Financial Instruments

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

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

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets under PAS 39, are classified as either financial assets at FVPL, loans and receivables, held to maturity (HTM) investments or AFS investments. The Group's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2012 and 2011, the Group has no outstanding financial assets at FVPL and HTM investments.

Under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2012 and 2011, the Group has no outstanding financial liabilities at FVPL.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL. This accounting policy relates to "Cash", "Trade and other receivables", and "Amounts owed by related parties" accounts in the consolidated balance sheet.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking

into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included under "Interest income" account in the statement of income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on *Impairment of Financial Assets*). Loans and receivables are classified as current assets when it is expected to be realized within 12 months from the balance sheet date or within the normal operating cycle, whichever is longer.

AFS investments

AFS investments are those investments which are designated as such or do not qualify to be classified as designated as FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported as a separate account (net of tax where applicable) in the equity section of the consolidated balance sheet.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the statement of income. Dividends earned on holding AFS investments are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses in the consolidated statement of income.

When the fair value of the AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Amounts owed to related parties", and other obligations that meet the above definition (other than liabilities covered by accounting standards, such as income tax payable). Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the balance sheet date or the Group has an unconditional right to defer settlement for at least 12 months from balance sheet date.

Impairment of Financial Assets

Financial Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income - is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increased in their fair value after impairment are recognized directly in other comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in equity is recognized in the consolidated statement of income.

Financial Liabilities

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

Derivative Financial Instruments

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contracts that significantly modifies the cash flows that would otherwise be required. As of December 31, 2012 and 2011, the Group has no bifurcated embedded derivatives.

Offsetting Financial Instruments

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

Investment in an Associate

An associate is an entity over which the Group is able to exert significant influence but which is neither a subsidiary nor a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in an associate. Goodwill is the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets of the investee at the date of acquisition.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the equity in net earnings (losses) of associate in the consolidated statement of income. Items that have been directly recognized in the associate's equity are recognized in equity of the Group. Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables and advances, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset acquired from the transaction with the associate.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of such property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Transportation equipment	5

Office equipment	2
Furniture and fixtures	2

Leasehold improvements are amortized over their useful lives of 5 years or the term of the lease, whichever is shorter.

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

Fully depreciated assets are maintained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, the cost, related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is credited to or charged against current operations.

Computer Software

Computer software is initially recognized at cost. Following initial recognition, the computer software is carried at cost, less accumulated amortization and any accumulated impairment in value.

The computer software is amortized on a straight-line basis over its estimated useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software is available for use. The amortization period and the amortization method for the computer software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Computer software is included under "Other noncurrent assets" account in the consolidated balance sheet.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its property and equipment and other nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired nonfinancial asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Borrowing Costs

Borrowing costs are recognized in the consolidated statement of income as incurred, except to the extent that they are capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalized until the assets are ready for their intended use or sale.

Income Taxes

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO, can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Capital Stock

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of share over the par value are credited to share premium.

Where the Group purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in the equity section in the consolidated balance sheet.

Foreign Currency Translations

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statements of income.

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

The functional currency of JSIT, a subsidiary, is Japanese Yen (JPY). As at the balance sheet date, the assets and liabilities of this entity is translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling the balance sheet date and statement of income is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation is taken directly to other comprehensive income. On disposal of subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized

Service revenue

Service revenue is recognized when the performance of contractually agreed tasks have been substantially rendered.

Marketing, management and consultancy fees

Fees are recognized when the related services have been rendered.

Interest

Interest income is recognized as interest accrues using the effective interest rate method.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and involves an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease commitments - Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income in accordance with the terms of the lease agreements.

Finance lease commitments - Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

Contingencies

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

Events After the Reporting Period

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

Segment Reporting

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the services offered. In 2010, the Group started to operate its IT resource services segment. Prior to 2010, the Group operates mainly in one reportable business segment. The Group is in the business of security brokerage in the Philippines. However, in December 2008, it has amended its primary business purpose from a security broker to a technology, media and telecommunications company (see Note 1). The Group's identified operating segments are consistent with the segments reported in the BOD, which is the Group's Chief Operating Decision Maker. Financial information on the operating segments are presented in Note 19.

4. **Significant Accounting Judgments and Estimates**

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

Judgements

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine Peso except for JSIT, a subsidiary, whose functional currency is the Japanese Yen. The Philippine Peso is the currency of the primary economic environment in which the companies in the Group operates and it is the currency that mainly influences the sale of and services and the costs of providing the services.

Operating lease commitment - Company as lessee

The Group has entered into a commercial property lease on its office. The Group has determined that it does not retain all the significant risks and rewards of ownership of the properties which are leased under operating lease arrangements.

Finance lease commitments - Company as lessee

The Group has entered into leases of transportation equipment. The Group has determined that these leases are finance leases since the significant risks and rewards of ownership related to these assets are transferred to the Group from the date of the lease agreement.

Acquisition accounting

The Group accounts for acquired business using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible and property, and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property and equipment have to be determined.

The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition (see Note 7).

Assessing impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the generating cash-

generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimates

Estimating allowance for impairment losses of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as on historical loss experience. Allowance for impairment loss is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of action. As of December 31, 2012 and 2011, allowance for impairment on receivable amounted to ₱1,759,302 and ₱664,603, respectively. Trade and other receivable net of allowance amounted to ₱33,444,719 and ₱22,183,668 as at December 31, 2012 and 2011, respectively (see Note 5).

Estimating useful lives of property and equipment

The Group estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of the office equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

As of December 31, 2012 and 2011, the carrying amounts of property and equipment amounted to ₱16,552,657 and ₱16,528,292, respectively (see Note 9).

Estimating impairment of unquoted AFS investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or
- other valuation models.

Investments in unquoted AFS investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The cash flows are derived from the projection for the next 10 years as well as the terminal value at the end of 10 years. The recoverable amount is most sensitive to changes in the discount rate and growth rates used in the discounted cash flows.

No impairment loss was recognized on the AFS investments. The carrying amount of AFS investments amounted to ₱1,289,278,350 as of December 31, 2012 and 2011 (see Note 8).

Estimating realizability of deferred income tax assets

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

No deferred income tax asset was recognized on deductible temporary difference amounting to ₱260,493,006 and ₱132,381,473 as of December 31, 2012 and 2011, respectively, since management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilized (see Note 15).

Impairment of nonfinancial assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the Group's assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

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

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

As of December 31, 2012 and 2011, the carrying values of nonfinancial assets comprised of property and equipment, other current assets, investments and other noncurrent assets amounted to ₱1,341,065,923 and ₱1,348,090,501, respectively (see Notes 6, 7, 8 and 9).

Estimating fair value of financial instruments

PFRS requires that certain financial assets and liabilities (including derivative instruments) be carried at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates), the timing and amount of changes in fair value would differ using a different valuation methodology. Any change in the fair values of financial assets and liabilities affects the consolidated the statements of comprehensive income and changes in equity. The fair values of financial assets and liabilities are set out in Note 17 to the consolidated financial statements.

5. Trade and Other Receivables

	2012	2011
Trade receivables		
Third parties	₱14,187,826	₱15,457,752
Related parties (Note 11)	12,234,536	614,000
Advances to officers and employees	6,413,888	4,743,519
Others (Note 8 and 11)	2,367,771	2,033,000
	35,204,021	22,848,271
Less allowance for impairment losses	1,759,302	664,603
	₱33,444,719	₱22,183,668

Other receivables pertain to loan receivable which earns 1% interest per month.

Movement in allowance for impairment losses are as follows:

	2012	2011
Balance as at January 1	₱664,603	₱-
Provision for the year	1,094,699	664,603
Balance as at December 31	₱1,759,302	₱664,603

6. Other Current Assets

	2012	2011
Prepayments	₱2,381,261	₱5,852,049
Input value added tax (VAT)	1,996,067	1,223,308
Creditable withholding tax	1,271,465	765,339
Others	100,689	404,641
	₱5,749,482	₱8,245,337

7. Business Combination

On June 17, 2011, the Company exercised its right to convert its ₱3,400,000 loan into common shares of Softrigger at the equivalent par value, thus, increasing its proportionate share from 50% to 67%. As a result, Softrigger became a subsidiary of the Company.

Softrigger is a leading independent IT solutions and services provider with certified competencies in architecture and planning technology consulting, and enterprise project management. It is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services. It is the official web vendor of Microsoft Philippines and the web developer of PH Government Portal.

In 2011, the provisional fair values of the identifiable net liabilities of Softrigger as at the date of acquisition follow:

	Fair value recognized on acquisition
Assets:	
Cash	₱41,884
Trade and other receivables	6,582,251
Other current assets	715,588
Property and equipment	2,183,910
	<u>9,523,633</u>
Liabilities:	
Trade and other payables	3,915,031
Other current liabilities	8,087,022
	<u>12,002,053</u>
Total identifiable net liabilities at fair value	<u>(₱2,478,420)</u>

	Fair value recognized on acquisition
Consideration transferred	₱3,400,000
Non-controlling interest measured at fair value	(817,879)
Fair value of previously-held interest	(1,239,210)
	<u>1,342,911</u>
Less total identifiable net liabilities at fair value	<u>(2,478,420)</u>
Goodwill arising from acquisition	<u>₱3,821,331</u>

Provisional goodwill is recorded under "Other noncurrent assets" account in the 2011 consolidated balance sheet.

Remeasurement of previously-held interest as at the date of acquisition follows:

Fair value of previously-held interest	(₱1,239,210)
Less carrying value of the previously-held interest	10,506,473
Loss on the remeasurement of previously-held interest	<u>₱11,745,683</u>

Non-controlling interest as of acquisition date amounted to ₱817,879. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

From the date of acquisition, the additional interest in Softrigger has resulted to additional net loss of ₱8,744,047 to the Group's results of operations. This newly-qualified subsidiary has likewise contributed ₱3,009,699 in revenue to the Group.

In 2012, the purchase price allocation in the step-up acquisition of Softrigger was finalized. No changes were made on the evaluation of the assets and liabilities done in 2011. However, goodwill from the business combination was fully impaired in 2012.

8. Investments and Advances

Investments

As mentioned in Note 1, the Group entered into subscription agreements with Softrigger and Softweb on September 1, 2010 and December 20, 2010, respectively. The related investments in Softrigger and Softweb, amounting to ₱20,000,000 and ₱6,000,000, respectively, represent 50% interest in these investee companies.

Softweb, on the other hand, specializes in Lotus consulting and training services as well as comprehensive Domino working solutions. As an IBM partner, Softweb offers the full range of IBM services and licensed products integrated in its own list of business solutions, software development and training.

On June 17, 2011, the Company acquired 34,000 shares of Softrigger for a 67% equity interest through the conversion into equity of Softrigger's unpaid loans to the Company. Accordingly, Softrigger became a subsidiary as of this date (see Note 7).

As of December 31, 2012 and 2011, the components of the carrying amounts of investments accounted for under the equity method are as follows:

	2012	2011
Acquisition cost:		
Balances at beginning of year	₱6,000,000	₱26,000,000
Step-acquisition to subsidiary (Note 7)	–	(20,000,000)
Balances at end of year	6,000,000	6,000,000
Equity in net losses of associates:		
Balances at beginning of year	(2,923,275)	(4,528,387)
Share in net losses of associates	(3,076,725)	(7,888,415)
Step-acquisition to subsidiary (Note 7)	–	9,493,527
Balances at end of year	(6,000,000)	(2,923,275)
Investments in associates at equity	–	3,076,725
Advances to an associate	5,000,000	5,000,000
	₱5,000,000	₱8,076,725

Advances to an associate pertain to deposits for future stock subscriptions in Softweb pending the increase in authorized capital stock.

Pertinent financial information for these investees as of December 31, 2012 and 2011 follow:

	2012	2011
Softweb:		
Total assets	₱9,335,845	₱13,105,790
Total liabilities	32,093,994	26,436,273
Total equity	(22,758,149)	(13,330,483)
Net loss	9,427,666	5,846,550

AFS Investment

The Company has an investment in NMI classified as AFS investment.

On April 28, 2006, the Company entered into a MOA with NMI and five controlling stockholders of NMI namely, Top Mega, Joycelink, GHI, EII, Food Camp (the five companies collectively known as NMI stockholders) to swap or exchange shares of stock.

Under the MOA, there shall be a new issuance of shares of stock by the Company in exchange solely for NMI shares owned and controlled by the NMI stockholders. The agreed upon swap of shares was subject to certain conditions, including necessary corporate and regulatory approvals. The MOA was approved by the Company's stockholders during the June 2, 2006 Annual Stockholders' Meeting.

However, certain amendments were subsequently made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the Company could not revise its primary purpose at that time. Hence, the stockholders approved the amendment in the MOA that there will be no change in the primary purpose of the Company. In addition, the stockholders also approved the proposal that the Company shall acquire only nineteen percent (19%) equity interest in NMI and not 97%, as originally intended. As a result, the NMI stockholders will transfer to the Company 2,656,580 NMI shares in exchange for new shares of the Company with an aggregate value of ₱1,289,278,350, or effectively at a price of ₱485.315085 per NMI share.

To comply with the provisions of the amended MOA, the Company increased its authorized capital stock to accommodate the foregoing transaction (see Note 14).

In September 2006, the SEC issued Certificate of Approval of Valuation of shares of stock of NMI and Certificate of Increase in capital stock of the Group.

As mentioned in Note 1, in 2008, the PSE approved the application for the listing of the additional

₱1,289,278,350 common shares to cover the share-for-share swap transactions with NMI shareholders. As of December 31, 2012 and 2011, the Group's investment in NMI amounted to ₱1,289,278,350.

Deposits for Future Stock Subscriptions

As mentioned in Note 1, the Company entered into agreements with Thumbmob and Holy Cow for the subscription Thumbmob and Holy Cow shares. Deposits for future stock subscriptions in Thumbmob and Holy Cow amounted to ₱14,344,868 and ₱9,004,163 as of December 31, 2012, respectively and ₱14,344,868 and ₱7,370,480 as of December 31, 2011, respectively. These are currently recorded under "noncurrent assets" in the consolidated balance sheets pending the increase in the authorized capital stock of the investee companies.

In addition, the Company has outstanding loan and interest receivable from Holy Cow amounting to ₱2,367,771 and ₱2,033,000 as of December 31, 2012 and 2011, respectively (see Note 5).

9. **Property and Equipment**

As of December 31, 2012

	Leasehold Improvements	Transportatio Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱2,194,943	₱15,169,919	₱7,743,024	₱959,834	₱26,067,720
Additions	3,590,047	—	2,893,131	262,249	6,745,427
Ending balances	5,784,990	15,169,919	10,636,155	1,222,083	32,813,147
Accumulated depreciation and amortization:					
Beginning balances	1,592,201	2,748,184	4,512,822	686,221	9,539,428
Depreciation and amortization for the year	839,152	3,157,365	2,641,517	83,028	6,721,062
Ending balances	2,431,353	5,905,549	7,154,339	769,249	16,260,490
Net book value	₱3,353,637	₱9,264,370	₱3,481,816	₱452,834	₱16,552,657

As of December 31, 2011

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱—	₱7,486,221	₱925,726	₱—	₱8,411,947
Additions	664,084	7,683,698	2,386,004	296,143	11,029,929
Step acquisition to a subsidiary	1,530,859	—	4,539,478	663,691	6,734,028
Disposals	—	—	(108,184)	—	(108,184)
Ending balances	2,194,943	15,169,919	7,743,024	959,834	26,067,720
Accumulated depreciation and amortization:					
Beginning balances	—	301,386	183,855	—	485,241
Depreciation and amortization for the year	486,675	2,446,798	1,559,792	30,758	4,524,023
Step acquisition to a subsidiary	1,105,526	—	2,789,129	655,463	4,550,118
Disposals	—	—	(19,954)	—	(19,954)
Ending balances	1,592,201	2,748,184	4,512,822	686,221	9,539,428
Net book value	₱602,742	₱12,421,735	₱3,230,202	₱273,613	₱16,528,292

Transportation equipment are amounts where the Group is a lessee under a finance lease (see Note 12).

Cost of fully depreciated assets still in use amounted to ₱4,287,206 and ₱3,432,461, in 2012 and 2011, respectively.

10. Accounts Payable and Accrued Expenses

	2012	2011
Trade and other payables (see Note 11)		
Third parties	₱18,521,201	₱8,634,116
Related parties	8,524,728	5,472,788
Withholding tax payable	4,466,168	5,454,870
Output VAT payable	1,846,658	514,807
Accrued interest (see Note 11)	59,903,586	21,376,850
Accrued expenses	9,074,591	8,502,866
	₱102,336,932	₱49,956,297

11. Related Party Transactions

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

In the normal course of business, the Group entered into transactions with related parties, principally consisting of the following:

- a. In 2005, the Company entered into an agreement to promote and market the telecommunication services of NMI to the Company's clients for a period of three years until May 2008. In consideration thereof, the Company billed NMI the amount of ₱5,000,000 in 2006.

Also, the Company entered into a financial advisory and arrangement agreement in relation to NMI's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement is effective until October 2006. A success fee of ₱850,000 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained would be paid by NMI. In 2006, the Company billed NMI the amount of ₱3,100,000 for its services.

On January 30, 2008, the Company sent a demand letter to NMI regarding the collectability of the amount due. In the reply dated February 15, 2008, NMI acknowledged the debt and manifested its intent to pay within 2008. Receivable from NMI amounting to ₱7,192,800 was subsequently collected in 2008.

Amounts owed by NMI as of December 31, 2012 and 2011 amounted to ₱18,017,022 and ₱13,265,403 respectively. From the foregoing events, these advances are due and demandable.

- b. On August 30, 2005, the Company entered into a Loan Agreement with IMX Broadband Inc. (IBI) for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% interest per annum and is payable no later than August 30, 2010. Partial pre-payments on the principal may be made prior to this date. The interest is due and demandable only on maturity date.

On April 25, 2007, the Company and IBI agreed to reduce the interest to 5.5% per annum effective for 2007. Subsequent to 2007, the interest shall be subject to annual repricing. The prevailing market interest rate agreed by both parties in 2009 and 2008 is 9.0%.

On June 25, 2010, both parties agreed to extend the maturity of the loan from August 30, 2010 to August 30, 2012. Furthermore, interest rate was reduced to 6.0% per annum starting in 2010. Interest income amounted to ₱934,065 in 2012, 2011 and 2010. As of December 31, 2012 and 2011, amounts owed by IBI amounted to ₱25,162,581 and ₱24,228,516, respectively.

IBI is under common ownership with the Group.

- c. On October 12, 2009, Velarde, Inc. appointed the Company as Financial Advisor and Arranger in relation to Velarde, Inc.'s objective of acquiring equity interests in companies in the telecoms, media, and information technology (TMT) space (the "Project"). The Project includes but not limited to targeting potential investments in software development, digital content, and BPO/KPO/LPO companies. The engagement shall be for a limited period of nine (9) months only. Revenue earned from this engagement amounted to ₱3,000,000.

Velarde, Inc. is a stockholder of the Group.

- d. In 2008, the Company entered into a Sub-Lease Agreement (Agreement) with Eemerald Investments, Inc.(EII) for the lease of a 270 square meter condominium unit in Makati. The lease shall be for four (4) years, commencing on January 1, 2008 until December 31, 2011. Rental expense charged to operations amounted to ₱2,482,061 in 2011 and ₱2,874,203 in 2010 and 2009.

On January 28, 2009, the Company and EII amended the Agreement to the effect that the monthly rental from January 1 to December 31, 2008 be reduced from ₱400 to ₱100 per square meter, for a total monthly rental of ₱27,000. The rental shall be increased annually at the rate of 10% per annum. The parties shall annually review the monthly rental as prevailing circumstances may necessitate. In 2009, the 10% annual increase in rental was suspended until otherwise agreed upon in writing by the parties.

On December 17, 2009, the Company and EII agreed that the Company shall lease the whole floor of the condominium, consisting a total area of 546 square meters. The monthly rental from January 1 to October 31, 2010 will increase from ₱100 to ₱431 per square meter, for a total monthly rental of ₱ 235,590. For the period November 1, 2010 to October 31, 2011, the sub-lessee shall pay monthly rental at the rate of ₱474 per square meter, for a total monthly rental of ₱258,804.

Amounts owed to EII amounted to ₱2,902,918 as of December 31, 2012 and 2011. Outstanding liability to EII are due and demandable.

EII is a stockholder of the Group.

- e. On July 16, 2010, the Company entered into a service agreement with KPSC for a period of one year, beginning July 16, 2010 to July 15, 2011. KPSC provides consultancy and manpower services depending on the services specifically required by the Group.

As of December 31, 2012 and 2011, the Company has no outstanding payable to KPSC. KPSC has cooperators who are also stockholders of the Group.

- f. Amounts owed to related parties include interest bearing advances from Velarde, Inc. for working capital and investment requirements. Interest rate for these loans is at 18.0% per annum or 1.5% per month.

In 2012, the Company also incurred additional liability from Velarde, Inc. as further discussed in Note 11.

Related parties		Category	Amount	Amounts owed by related parties	Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions
<i>Shareholders</i>									
Velarde, Inc.	Advances 2012		₱66,454,181	₱-	₱-	₱272,746,632	₱-	On demand	Unsecured
	2011		152,944,662	-	-	206,292,451	-	On demand	Unsecured
<i>GHI</i>									
GHI	Advances 2012		2,035,055	-	-	-	2,035,055	On demand	Unsecured
	2011		-	-	-	-	-	On demand	Unsecured
<i>EII</i>									
EII	Advances 2012		40,848	40,848	-	2,902,918	-	On demand	Unsecured, no impairment
	2011		-	-	-	2,902,918	-	On demand	Unsecured
<i>Affiliates</i>									
<i>NMI</i>									
NMI	Advances 2012		5,321,472	20,870,607	-	45,421	-	On demand	Unsecured, no impairment
	2011		9,582,138	15,503,714	-	-	-	On demand	Unsecured, no impairment
<i>KPSC</i>									
KPSC	Advances 2012		(105,000)	752,470	-	-	-	On demand	Unsecured, no impairment
	2011		857,470	857,470	-	-	-	On demand	Unsecured, no impairment
<i>Services 2012</i>									
Services 2012			75,160,352	-	-	-	6,489,673	On demand	Unsecured
	2011		72,838,476	-	-	-	5,472,788	On demand	Unsecured
<i>AIJC</i>									
AIJC	Advances 2012		511,858	542,358	-	-	-	On demand	Unsecured, no impairment
	2011		30,500	30,500	-	-	-	On demand	Unsecured, no impairment
<i>IBI</i>									
IBI	Advances 2012		-	15,567,752	-	-	-	On demand	Unsecured, no impairment
	2011		-	15,567,752	-	-	-	On demand	Unsecured, no impairment

Related parties	Category	Amount	Amounts owed by related parties		Trade and other receivables		Amounts owed to related parties		Trade and other payables		Terms	Conditions	
			Interest 2012	2011	Interest 2012	2011	Interest 2012	2011	Interest 2012	2011			
IBI	Interest 2012	₱934,063	934,065	₱9,594,827	8,660,764	₱-	-	₱-	₱-	₱-	-	On demand	Unsecured, no impairment
	2011											On demand	Unsecured, no impairment
Holycow	Loans 2012	178,771	2,033,000	-	-	2,211,771	-	2,033,000	-	-	-	On demand	Unsecured, no impairment
	2011											On demand	Unsecured, no impairment
	Interest 2012	156,000	104,000	-	-	156,000	-	-	-	-	-	On demand	Unsecured, no impairment
	2011											On demand	Unsecured, no impairment
<i>Associate</i>													
Softweb	Advances 2012	7,269,542	590,000	4,054,360	590,000	-	-	-	3,805,182	-	-	On demand	Unsecured
	2011											On demand	Unsecured
	Loans 2012	-	500,000	500,000	-	-	-	-	-	-	-	On demand	Unsecured, no impairment
	2011											On demand	Unsecured, no impairment
	Interest 2012	-	214,000	214,000	-	-	-	-	-	-	-	On demand	Unsecured, no impairment
	2011											On demand	Unsecured, no impairment
	Services 2012	17,159,155	-	-	-	6,244,536	-	-	-	-	-	On demand	Unsecured, no impairment
	2011											On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Amount	Amounts owed by related parties		Amounts owed to related parties		Terms	Conditions
			Trade and other receivables	Trade and other payables				
Management fees	2012	₱4,800,000	₱—	₱5,990,000	₱—	₱—	On demand	Unsecured, no impairment
	2011	1,200,000	—	614,000	—	—	On demand	Unsecured, no impairment
Total	2012	₱52,137,222	₱14,602,307	₱275,694,971	₱—	₱8,524,728		
	2011	₱41,924,200	₱2,647,000	₱213,000,551	₱5,472,788			

12. Lease Commitments

The Group purchased transportation equipment through four-year financing agreements which are payable on a monthly basis. The Group recognized the obligation and pays to Velarde, Inc. (see Note 11). The assets were capitalized since the lease term is for the major part of the economic life of the assets.

The future minimum lease payments of the Group for the obligations under finance lease as of December 31, 2012 and 2011 are as follows:

	2012	2011
Within one year	₱3,682,332	₱6,751,040
After one year but not more than five years	3,962,577	7,718,582
Total minimum lease obligations	7,644,909	14,469,622
Less interest portion	884,379	2,674,863
Present value of minimum lease obligations	6,760,530	11,794,759
Less current portion	3,076,625	3,437,591
Noncurrent portion	₱3,683,905	₱8,357,168

13. Loans Payable

This account represents availments from credit lines extended by a local bank. The loans are collateralized by assignment of a savings account by a related party.

The loans are short-term, bear interest at a floating effective interest rates ranging from 2.79% to 3.80% in 2012. Interest is payable every 30 days.

14. Capital Stock

On April 28, 2006, the BOD and stockholders approved the increase in the authorized capital stock from 40,000,000 shares to 1,320,000,000 shares at ₱1 par value per share. This was subsequently approved by the SEC on September 19, 2006.

On November 11, 2006, in accordance with the MOA, the Group issued the additional 1,289,278,350 shares at par value in exchange for the 2,656,580 shares of NMI (see Note 8).

On May 12, 2010, the BOD and stockholders approved the increase in the authorized capital stock from 1,320,000,000 shares to 5,320,000,000 shares at ₱1 par value per share. The proposed subscriber to the increase, Velarde, Inc. will subscribe to 1,000,000,000 shares at ₱1 per share, out of the 4,000,000,000 increase with ₱250,000,000 to be initially paid-up. As of December 31, 2012, the proposed increase in authorized capital stock is pending implementation and application with the SEC.

15. Income Taxes

The provision for income tax represents MCIT in 2012, 2011 and 2010.

The reconciliation of the Group's statutory income tax to provision for income tax follows:

	2012	2011	2010
Statutory income tax at 30%	(₱41,371,961)	(₱42,369,696)	(₱11,074,235)
Tax effects of:			
Unrecognized deferred income tax assets on:			
NOLCO and MCIT	26,634,808	33,168,936	8,939,382
Allowance for impairment losses	328,409	199,381	—
Unrealized foreign exchange loss	54,017	—	—
Accrued interest expense	11,558,021	6,411,984	—
Impairment on goodwill	1,146,400	—	—
Equity in net losses of associates	923,018	2,366,525	1,358,516
Unallowable EAR	869,887	84,781	69,858
Final tax on interest income	937	1,730	4,428

	2012	2011	2010
Nondeductible interest expense	464	1,110	—
Nondeductible professional fees	—	—	196,744
Interest income subjected to final tax	(2,342)	(3,163)	(6,642)
Others	61,844	243,201	537,316
	₱203,502	₱104,789	₱25,367

The Group has temporary differences for which no deferred income tax assets were recognized as it is probable that sufficient taxable income will not be available for those deferred income tax assets to be utilized. The temporary differences are as follows:

	2012	2011	2010
NOLCO	₱198,327,067	₱110,219,591	₱29,728,142
Accrued interest expense	59,903,586	21,376,850	—
Allowance for probable losses on receivables	1,759,302	664,603	—
MCIT	326,563	123,998	20,939
Unrealized foreign exchange loss	180,058	—	—
	₱260,496,576	₱132,385,042	₱29,749,081

16. Basic/Diluted EPS

The following table presents information necessary to compute the basic/dilutive EPS:

	2012	2011	2010
Net loss (a)	₱138,110,040	₱141,337,107	₱36,939,482
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	1,317,278,350	1,317,278,350	1,317,278,350
Basic/dilutive loss per share (a/b)	₱0.1048	₱0.1073	₱0.0280

For the years ended December 31, 2012, 2011 and 2010, there were no shares of stock that have a potentially dilutive effect on the basic EPS of the Group.

17. Financial Instruments

The Group's financial instruments are composed of cash, trade and other receivables, amounts owed by related parties, AFS investment, accounts payable and accrued expenses, amounts owed to related parties and obligations under finance lease.

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

The main risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group is not exposed to cash flow interest rate risk since a significant portion of the Group's due from affiliates and finance lease obligations has fixed interest rates. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect on the Group's credit standing.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2012 and 2011, based on contractual undiscounted cash flows. The tables also analyze the maturity profile of the Group's financial assets that can be used to finance maturing financial obligations.

The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

December 31, 2012

	On demand	Within 1 year	More than 1 year	Total
Financial liabilities:				
Accounts payable and accrued expenses*	₱96,024,106	₱-	₱-	₱96,024,106
Amounts owed to related parties	3,136,572	-	272,558,399	275,694,971
Loans payable	40,500,000	-	-	40,500,000
	₱139,660,678	₱-	₱272,558,399	₱412,219,077
<i>*except government payables</i>				
Financial assets:				
Cash	₱1,467,152	₱-	₱-	₱1,467,152
Trade and other receivables	33,444,719	-	-	33,444,719
Amounts owed by related parties	52,137,222	-	-	52,137,222
AFS investment	-	-	1,289,278,350	1,289,278,350
	₱87,049,093	₱-	₱1,289,278,350	₱1,376,327,443

December 31, 2011

	On demand	Within 1 year	More than 1 year	Total
Financial liabilities:				
Accounts payable and accrued expenses*	₱40,570,931	₱-	₱-	₱40,570,931
Amounts owed to related parties	213,000,551	-	-	213,000,551
	₱253,571,482	₱3,437,591	₱8,357,168	₱253,571,482
<i>*except government payables</i>				
Financial assets:				
Cash	₱2,958,892	₱-	₱-	₱2,958,892
Trade and other receivables	7,343,518	14,840,150	-	22,183,668
Amounts owed by related parties	41,924,200	-	-	41,924,200
AFS investment	-	-	1,289,278,350	1,289,278,350
	₱52,226,610	₱14,840,150	₱1,289,278,350	₱1,356,345,110

The Group monitors its cash flow position through cash planning. The Group believes that cash advances by stockholders are sufficient to mitigate the effects of fluctuation in cash flow and to cover disbursements for the day-to-day operations of the Group.

All of the Group's financial liabilities are contractually due within one year except for obligations under finance lease.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables and amounts owed by related parties.

The Company's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Company's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Company's exposure to impairment and account discrepancies is not significant. In addition, the Company manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

The Group's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Group's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Group's exposure to impairment and account discrepancies is not significant. In addition, the Group manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

As of December 31, 2012 and 2011, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets.

Credit quality per class of financial asset

The credit quality of financial assets is being managed by the Group using internal credit ratings. The Group considers its financial assets that are neither past due nor impaired amounting to ₱1,376,327,443 and ₱1,356,345,110 as of December 31, 2012 and 2011 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.

The Group has impaired receivables amounting to ₱1,759,302 and ₱664,603 as of December 31, 2012 and 2011, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk from its interest bearing due from affiliates, finance lease and loan payable. Dues from affiliates and finance lease obligations have fixed interest rates and interest rate range on loans payable are minimal since these are short term loans payable.

Fair Value and Categories of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash, trade and other receivables, amounts owed by related parties, accounts payable and accrued expenses, loans payable and amounts owed to related parties

The carrying amounts of cash, accounts payable and accrued expenses, loans payable and amounts owed to related parties approximate their fair values due to the short-term maturity of these financial instruments.

AFS investment

Unquoted equity security is carried at cost or its available net book value since fair value of this AFS investment cannot be reliably determined as this is not listed in active market and have no available bid price.

The following table presents the carrying amounts and estimated fair values of the Group's financial instruments as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Loans and receivables:</i>				
Cash	₱1,467,152	₱1,467,152	₱2,958,892	₱2,958,892
Trade and other receivables	33,444,719	33,444,719	22,183,668	22,183,668
Amounts owed by related parties	52,137,222	52,137,222	41,924,200	41,924,200
	₱87,049,093	₱87,049,093	₱67,066,760	₱67,066,760
AFS investment	₱1,289,278,350	₱1,289,278,350	₱1,289,278,350	₱1,289,278,350

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Other financial liabilities:</i>				
Accounts payable and accrued expenses	₱96,024,106	₱96,024,106	₱49,956,297	₱49,956,297
Amounts owed to related parties	275,694,971	275,694,971	213,000,551	213,000,551
Loans payable	40,500,000	40,500,000	—	—
	₱412,219,077	₱412,219,077	₱262,956,848	₱262,956,848

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) process in active markets for identical assets or liabilities
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of December 31, 2012 and 2011, the Group does not have any financial instruments to be presented under the fair value hierarchy required by PFRS 7.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

On October 28, 2010, PSE issued a memorandum regarding the rule for the minimum public ownership for all listed companies. Based on the memorandum, listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares or as such percentage that may be prescribed by the PSE. The Company has complied with the minimum public ownership.

No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

The following table pertains to the account balance the Group considers as its core economic capital:

	2012	2011
Capital stock	₱1,317,278,350	₱1,317,278,350
Deficit	(309,971,214)	(173,287,152)
	₱1,007,307,136	₱1,143,991,198

18. Supplementary Information to the Statements of Cash Flows

Acquisition of transportation equipment under finance lease agreement to Velarde, Inc. amounted to nil and ₱6,687,000 in 2012 and 2011, respectively (see Notes 9 and 11).

19. Business Segment Information

The Group's operating segments are organized and managed separately according to the nature of the services offered as follows:

- IT resource management segment - provides deployment of IT professionals to clients.
- IT products and services – provides high value ICTV products and services to clients.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Financial information on the operations of the various business segments are summarized as follows:

	2012		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	₱19,034,850	₱29,854,933	₱48,889,783
Interest income	2,077	1,122,144	1,124,906
Total revenue	₱19,036,927	₱30,977,762	₱50,014,689

	2012		
	IT Resource management	IT products and services	Total
Equity in net losses of associates	₱-	₱3,076,725	₱3,076,725
Provision for income tax		(203,502)	(203,502)
Net loss	12,565,837	124,947,506	137,513,343
Other information:			
Investments and advances	-	1,294,278,350	1,294,278,350
Capital expenditures	5,460,109	11,092,548	16,552,657
Segment assets	(11,755,882)	1,416,358,634	1,404,602,752
Segment liabilities	38,780,748	386,511,685	425,292,433
Depreciation and amortization	2,044,851	4,908,034	6,952,885
	2011		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	₱21,386,746	₱3,889,372	₱25,276,118
Interest income	5,252	1,845,953	1,851,205
Scrap sales	4,700	-	4,700
Total revenue	₱21,396,698	₱5,735,325	₱27,132,023
Equity in net losses of associates	₱-	₱7,888,415	₱7,888,415
Provision for income tax	-	104,789	104,789
Net loss	52,317,653	89,019,454	141,337,107
Other information:			
Investments and advances	-	1,297,355,075	1,297,355,075
Capital expenditures	5,626,679	10,901,613	16,528,292
Segment assets	18,463,549	1,396,693,712	1,415,157,261
Segment liabilities	21,608,169	253,213,166	274,821,335
Depreciation and amortization	1,010,473	3,661,097	4,671,570
	2010		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	₱254,952	₱-	₱254,952
Interest income	-	992,629	992,629
Total revenue	₱254,952	₱992,629	₱1,247,581
Equity in net losses of associates	₱-	₱4,528,387	₱4,528,387
Provision for income tax	1,485	23,882	25,367
Net loss	1,594,585	35,344,897	36,939,482
Other information:			
Investments and advances	-	1,315,749,963	1,315,749,963
Capital expenditures	348,160	7,992,806	8,340,966
Segment assets	1,757,102	1,365,387,463	1,367,144,565
Segment liabilities	1,940,809	82,825,780	84,766,589
Depreciation and amortization	19,826	446,949	466,775

Equity in net losses of associates	P-	P3,076,725	P3,076,725
Provision for income tax		(203,502)	(203,502)
Net loss	12,565,837	124,947,506	137,513,343
Other information:			
Investments and advances	-	1,294,278,350	1,294,278,350
Capital expenditures	5,460,109	11,092,548	16,552,657
Segment assets	(11,755,882)	1,416,358,634	1,404,602,752
Segment liabilities	38,780,748	386,511,685	425,292,433
Depreciation and amortization	2,044,851	4,908,034	6,952,885

	2011		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	P21,386,746	P3,889,372	P25,276,118
Interest income	5,252	1,845,953	1,851,205
Scrap sales	4,700	-	4,700
Total revenue	P21,396,698	P5,735,325	P27,132,023

Equity in net losses of associates	P-	P7,888,415	P7,888,415
Provision for income tax	-	104,789	104,789
Net loss	52,317,653	89,019,454	141,337,107
Other information:			
Investments and advances	-	1,297,355,075	1,297,355,075
Capital expenditures	5,626,679	10,901,613	16,528,292
Segment assets	18,463,549	1,396,693,712	1,415,157,261
Segment liabilities	21,608,169	253,213,166	274,821,335
Depreciation and amortization	1,010,473	3,661,097	4,671,570

	2010		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	P254,952	P-	P254,952
Interest income	-	992,629	992,629
Total revenue	P254,952	P992,629	P1,247,581

Equity in net losses of associates	P-	P4,528,387	P4,528,387
Provision for income tax	1,485	23,882	25,367
Net loss	1,594,585	35,344,897	36,939,482
Other information:			
Investments and advances	-	1,315,749,963	1,315,749,963
Capital expenditures	348,160	7,992,806	8,340,966
Segment assets	1,757,102	1,365,387,463	1,367,144,565
Segment liabilities	1,940,809	82,825,780	84,766,589
Depreciation and amortization	19,826	446,949	466,775