# COVER SHEET

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

(Company's full name)

U N I T   5 - I ,   5 T H   F L O O R ,   O P L
B U I L D I N G ,   1 0 0   C .   P A L A N C A
S T .   C O R N E R   D E L A   R O S A   A N D
G I L   S T R E E T S ,   L E G A S P I
V I L L A G E ,   M A K A T I   C I T Y

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

ANGELINE L. MACASAET
Contact Person

750-0461/750-0211/750-0224
Company Telephone Number

1 2 | 3 1
Month | Day

Amended SEC Form 17A
For Fiscal Year ending December 31, 2012
Form Type

0 6 | 0 6
Month | Day
Annual Meeting

2012
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

Remark = pls. Use black ink for scanning purposes

## SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2012**

2. SEC Identification Number **A199600179** 3. BIR Tax Identification No. **004-668-224**

4. Exact name of issuer as specified in its charter **INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**

5. **Makati City, Philippines**
Province, Country or other jurisdiction of incorporation or organization

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

7. **Unit 5-I, 5th Floor, OPL Building,100 C. Palanca St. corner Dela Rosa and Gil Sts., Legaspi Village, Makati City, Philippines**
Address of principal office
Postal Code **1229**

8. **(632 )750-0461 ; (632) 750-0211**
Issuer's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Shares** | **1,317,278,350** |

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

Yes [ / ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange** **Common Stock**

12. Check whether the issuer:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and

asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

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

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

Yes [ ]		No [ ]

## PART I - BUSINESS AND GENERAL INFORMATION

### Item1. Business

#### A. Description of Business

##### (1) Business Development.

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 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 the shareholders of NMI. In addition, PSE likewise approved the Company's transfer from the SME Board to the Second Board of the Exchange.

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 shareholders of NMI, namely, Top Mega Enterprise, Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Joycelink Holdings Limited and Food Camp Industries and Marketing, Inc., at a swap price of ₱1.00 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 Exchange. 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.

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. and Mr. Carlos C. Sevilla whereby the Company shall subscribe to new shares of stock of Softrigger Interactive, Inc. totaling 34,134 which will be equivalent to 50% equity interest in Softrigger Interactive, Inc. post investment.

Softrigger Interactive, Inc. 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., Ms. Marilyn D.L. Montano and Mr. Danilo F. Montano whereby the Company shall subscribe to new shares of stock of Holy Cow Animation, Inc. totaling 53,937 shares which will be equivalent to 50% equity interest in Holy Cow Animation, Inc. post investment.

Holy Cow Animation, Inc. 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., Ms. Rhennie T. Viloria, Mr. James Michael V. Santiago and Ms. Angel Madonna V. Santiago whereby the Company shall purchase/subscribe to shares of stock of Softweb Consulting, Inc. totaling 5,050 which will be equivalent to 50% equity interest in Softweb Consulting, Inc. post investment

Softweb Consulting, Inc. is engaged in the business of IT consulting services and 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 of the Exchange.

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 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., 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 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.

**(2) Business of the Company**

The Company is working together with IMX Broadband, Inc. for purposes of research and development in connection with the plan to expand the Company's existing information technology platform in order to introduce related products and services and integrating wireless communication technologies. Technology research is still being done and until finalized, no estimate on cost of completion of development of product will be available.

Through the efforts of IMX Broadband Inc., a Certificate of Registration as a Value Added Service (VAS) Provider as Voice over Internet Protocol (VOIP) Provider was issued on March 10, 2006 by the National Telecommunications Commission (NTC) to the Company effective until March 9, 2007, renewed up to March 8,

2012. On March 22, 2012, the Company's VAS Certificate was further extended by NTC from March 09, 2012 to March 08, 2013. The Company's application for the renewal of the registration for the period March 9, 2013 to March 8, 2014 is now pending approval with the NTC.

Pursuant to its new primary purpose, ICTV has recently shifted its operations into Telecommunications, Media and Technology (TMT). Its new primary purpose covers the business of providing telecommunications, media, and information technology products and 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.

Among the programs that ICTV 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. ICTV 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 18, 2008, the Company signed a Development Partnership Agreement with REWSS A/S, a Danish based corporation with an operations and development hub in the Philippines, and Next Mobile, a MTS (mobile telephone system) operator in the Philippines. REWSS A/S provides Network Business Intelligence (NBI) software solutions for operators worldwide with clients in the USA, Europe, Africa and Asia for various network technologies including CDMA, GSM and UMTS (2G and 3G). Using Next Mobile's network infrastructure, REWSS A/S will develop its REWS Stools for the iDEN Motorola technology. The Company will handle the project management role in this agreement.

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 2$^{nd}$ half of 2010. Management personnel are also being sourced from Knowledge Professionals Service Cooperative. The Company is currently putting up its teams in preparation for its business process outsourcing businesses 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 ICT Services. 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 with personnel that has solid experience and technical competencies to meet the stringent requirement of the Japanese market. J-Span is 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 will provide 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 one of ICTV's strategic business partners 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, 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.

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).

ICTV has been focused on establishing technical capability and acquiring strategic technology partners with strong and specific core strengths that will support its ICT business objectives.

ICTV invested in acquiring resources and capabilities to undertake institutional IT Services in the International Market covering the entire Software Development Life Cycle and including supply of IT Professional on Off-site & Onsite arrangements. The diversity in core strengths of J-Span, Softweb, Softrigger, Holy Cow and i-Resource will be the strength of ICTV to capture the desired business opportunities. Revenue can be derived from software engineering and development fees, and cost margins for IT Resource Management Services.

On March 17, 2011, the Board confirmed the establishment of the Company's wholly-owned subsidiaries named J-Span IT Services in Tokyo, Japan and I-Resource Consulting International, Inc. in Makati City, Philippines

The Company is not aware of any existing or probable governmental regulations that will have a material effect on the business.

In 2012 and 2011, the Company has spent a material amount on development activities to support its thrust to focus on providing high-value ICT services.

**Development of New Products and Services**

The development of the NowPlanet.TV Channels and other products would require substantial resources for the service fees of the consultants, purchase of IT equipment, subscription for dedicated and guaranteed bandwidth through an internet leaseline and distribution of the livestreaming coverage. The estimated expenditure for the above is Php4.5M.

**Competition**

With the continuous growth of the IT industry, both locally and globally, the competitive landscape has become fierce with the rise of new and innovative technology services in the market. ICTV products and services have indirect and direct competitors in the following areas:

1. IBM Lotus Notes developers and resellers;
2. Web development companies; and
3. Software engineering service providers.

As the Company continue to improve and enhance its product and services, its competitive advantage lies in its ability to adopt and utilize new and emerging technologies to deliver a full spectrum of innovative products and services to the market. Setting the Company apart is the provision of its value added services backed by its strong and competent professionals through the synergy and collaboration across the different functional departments of the organization.

**Customers**

The Company provides technology solutions to various organizations. It has a wide scope of target customers not dependent on a single or few customer base. The following are target industries for ICTV products and services:

1. Commercial Banking
2. Microfinancing and rural banking
3. Financial services
4. Manufacturing
5. Transportation
6. Media and Advertising Companies
7. Government Sector
8. Small and Medium Enterprises (SME)

**Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements**

The Philippine Intellectual Property Office issued on June 28, 2012 and July 5, 2012 a Certificate of Registration for the trademarks J-Span and Nowplanet.tv, respectively. The registration shall be effective for 10 years.

As of December 31, 2012, the Company has three (3) other trademark applications pending with the Philippine Intellectual Property Office.

**Employees**

As of December 31, 2012, the Company does not have any employees. Most, if not all, of the operations have been outsourced from Knowledge Professionals Service Cooperative, including Research and Development.

**Major Risks**

1. Competition. New and existing competitors can erode the Company and its subsidiaries' competitive advantage through the introduction of new products and services, improvement of product quality, increase in production efficiency, new and updated technologies and costs reductions. To manage all these, the Company and its subsidiaries continuously come up with new and exciting products and improve product propositions.

2. Third Party Services. The Company's social media services have a dependence on 3rd parties such as developers and internet providers. Maintaining and sustaining a satisfactory relationship with third party service providers is critical in ensuring technical support for the Company's social media services. Failure to do so may negatively impact the Company's business since we rely on them for content upgrades, localization and technical support. To mitigate this risk, the Company is constantly in search for the right partners.

3. Internet. The Company's social media services are dependent on the quality and accessibility of the Internet. The over-all user experience may be adversely affected by a poor internet connection. The growth of this sector in the Philippines may be limited as internet access has not reached more far-flung areas in the country.

**Item 2. Properties**

The Company currently has transportation, office equipment and furniture with a net book value of Php14.306Million. The Company purchased transportation equipment totaling P14.959M in 2011 and 2010 through a four year financing agreements started in 2010 up to 2011. The total lease amortization amounted to Php296K and are payable on a monthly basis. The transportation equipment is for the use of sales and technical personnel and developers. The assets were capitalized since the lease term is for the major part of the economic life of the assets.

The Company plans to acquire office equipment such as computers, server, air conditioning equipment and furniture such as tables and chairs estimated to around Php4.0Million in the next 12 months either through cash purchase or leasing arrangement.

**Item 3. Legal Proceedings**

There are no legal proceedings against the Company.

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

There was no submission of any matter that required voting decision by the Security Holders of the Company for the last quarter of 2012.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

**Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

On February 7, 2002, the Board of Directors approved the increase in the number of shares of the authorized capital stock of the Company from 4,000,000 shares to 40,000,000 shares and the reduction of par value from Php10 per share to Php1 per share.

On July 23, 2002, the Board of Directors and stockholders approved the offer of up to 8,000,000 shares from the Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Company was approved by the PSE and the Securities and Exchange Commission (SEC), on June 11 and July 30, 2003, respectively. The Company was listed in the PSE on July 23, 2003. Issue manager and underwriter was Abacus Capital & Investment Company. The market price is at high of Php1.08 and low of Php.34. The following table is the summary of the Company's stock prices from first quarter of 2010 up to the first quarter of 2013:

| Quarter/Period | High | Low | Average |
|---|---|---|---|
| 1st Quarter ending 31 Mar 2010 | 1.08 | 0.70 | 0.87 |
| 2nd Quarter ending 30 June 2010 | .97 | .71 | .84 |
| 3rd Quarter ending 30 Sep 2010 | .98 | .55 | .68 |
| 4th Quarter ending 31 Dec 2010 | .65 | .46 | .60 |

| | | | |
|---|---|---|---|
| 1st Quarter ending 31 Mar 2011 | .62 | .40 | .53 |
| 2nd Quarter ending 30 June 2011 | .53 | .34 | .49 |
| 3rd Quarter ending 30 Sep 2011 | .98 | .36 | .63 |
| 4th Quarter ending 31 Dec 2011 | .60 | .36 | .45 |
| 1st Quarter ending 31 March 2012 | .66 | .395 | .562 |
| 2nd Quarter ending 30 June 2012 | .58 | .40 | .49 |
| 3rd Quarter ending 30 Sep 2012 | .48 | .38 | .43 |
| 4th Quarter ending 31 Dec 2012 | .510 | .40 | .455 |
| 1st Quarter ending 31 Mar 2013 | .510 | .400 | .446 |

During the June 2, 2006 Annual Shareholders Meeting of the Company, the shareholders approved the Memorandum of Agreement dated April 28, 2006 (MOA) entered into by the Company with NMI and five other companies namely, Top Mega Enterprises Limited, Joycelink Holdings Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Food Camp Industries and Marketing, Inc. (the five companies collectively known as NMI Shareholders).

However, certain amendments were 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. It was agreed that the acquisition shall be based on the same terms and valuation stated in the MOA in the event that additional equity in NMI will be acquired by the Company in the future.

The amendment in the MOA was approved by the stockholders such that the shareholders of NMI will transfer to the Company shares of NMI in the aggregate number of 2,656,580 shares constituting 19% equity interest in NMI in exchange for new shares of the Company with an aggregate value of Php1,289,278,350.00 for 19% of NMI, or effectively at a price of Php485.315085.00 per NMI share.

In accordance with the amendment in the MOA, the needed increase in authorized capital stock of the Company to accommodate the foregoing transaction is Php1,280,000,000 at Php1.00 par value per share. Accordingly, the stockholders approved the proposal to increase the authorized capital of the Company by Php1,280,000,000.

On September 19, 2006, the SEC approved the increase in the authorized (to Php1.320 Billion) and paid-up capital (to Php1,317,278,350) of the Company as well as the change of the corporate name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc.

On September 27, 2006, the Company submitted to the PSE a listing application of additional 1,289,278,350 common shares to cover its share-for-share swap transaction with NMI shareholders. Following the Company's re-application for listing of the same shares in October 2008, the PSE approved the same and were listed on February 24, 2009.

On December 10, 2008, the PSE approved the transfer of the listing of the shares of the Company from the SME Board to the Second Board of the PSE, and the transfer finally took effect on June 29, 2009.

On March 12, 2010, the Board 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.

On March 16, 2011, the Company filed with PSE its application for transfer from the Second Board to the First Board of the Exchange.

The movement in the number of shares and capital stock amount for the year ended December 31, 2012, 2011 and 2010 are as follows:

| | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|
| Balance at beginning of year | Number of Shares | Amount | Number of shares | Amount | Number of shares | Amount |

| | | | | | | |
|---|---|---|---|---|---|---|
| | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** |
| Increase in number of shares as a result of reduction in par value | - | - | - | - | - | - |
| Issuance during the year | - | - | - | - | | |
| | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** |

No party or person holds any voting trust over any of the Company's shares. The Company has 71 Stockholders of Common Stock as of December 31, 2012 and 71 Stockholders of Common Stock as of 31 March 2013. The Top Twenty (20) Holders of Common Stock as of December 31, 2012 are as follows:

| Name | Nationality | No. of shares | Percentage |
|---|---|---|---|
| Top Mega Enterprises Limited | Chinese | 377,035,951 | 28.62% |
| PCD Nominee Corp. – Filipino | Filipino | 269,689,939 | 20.47% |
| Gamboa Holdings, Inc. | Filipino | 259,388,483 | 19.69% |
| Emerald Investments, Inc. | Filipino | 223,787,616 | 16.99% |
| Foodcamp Industries & Marketing, Inc. | Filipino | 92,203,092 | 7.00% |
| Joyce Link Holdings, Limited | British | 86,458,552 | 6.56% |
| PCD Nominee Corp – Non-Filipino | Foreign | 5,236,000 | .40% |
| Chua, Robert S. | Filipino | 2,250,000 | .17% |
| Velarde, Inc. | Filipino | 771,545 | 0.06% |
| Chua Co Kiong, William N. | Filipino | 145,000 | 0.01% |
| De Leon, Jose Mari S. | Filipino | 10,000 | 0.0008% |
| Espinosa, Joseph | Filipino | 10,000 | 0.0008% |
| Diata, Juditha G. | Filipino | 10,000 | 0.0008% |
| Tareno, Maria Guia I. | Filipino | 10,000 | 0.0008% |
| Serania, Virginia P. | Filipino | 10,000 | 0.0008% |
| Francisco, Richard L. | Filipino | 10,000 | 0.0008% |
| Bocabil, Alben B. | Filipino | 10,000 | 0.0008% |
| Dela Cuesta, Karlo S. | Filipino | 10,000 | 0.0008% |
| Ligutan, Eninias P. | Filipino | 10,000 | 0.0008% |
| Pagudar, Venus B. | Filipino | 10,000 | 0.0008% |
| Others | Filipino | 212,172 | .02% |
| | | **1,317,278,350** | **100.00%** |

**Dividends**

No cash dividends were declared in the past two years. There are no restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future.

**Recent Sale of Unregistered Securities**

There was neither sale of unregistered securities nor issuance of securities constituting an exempt transaction within the last three years.

### Item 6. Management's Discussion and Analysis or Plan of Operation

**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 Consulting, 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.

ICTV's investment on its "Cloud Computing" capability not only allows the introduction of ICTV's high-value Open-Source and Proprietary Applications in the virtual world but also opens revenue opportunities derived from license fees, customization, integration, maintenance fees and other allied IT services. The business process applications developed by Softweb and Softrigger are in the forefront for this business, while Telematics is also expected to carve some space. GiggleIT, Softweb and Softrigger are also expected to capture different levels of IT support services from 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.

**Key Performance Indicators**

| | | |
|---|---|---|
| Profitability | Profit Margin | -276.139% |
| | Return on Assets | -9.671% |
| | Return on Equity | -13.772% |
| | Book Value per share | 0.7613 |
| | Earnings per share | -0.1048 |
| Liquidity | Current Ratio | 0.6226 |
| Debt to Equity | Debt to Equity Ratio | 0.4241 |

The Key Performance Indicators are computed as follows:

Profitability:

Profit margin = Net Income / Total Revenue x 100
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
Earnings per share = Net Income / Average Outstanding Shares

Liquidity:

Current Ratio = Current Assets / Current Liabilities

Debt to Equity:

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

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. 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.

The Company plans to spend around Php30 million to Php40 million in the next 2 years for capital expenditures in connection with the launch of its new products and services.

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 is a material change for the Cost of services and Advertising account for 2012 of Php37.288Million and Php 4.614 respectively, compared with 2011 cost of services and Advertising of Php27.175Million and Php0.436 Million respectively and as reflected in the financial statements. This change is due to the fact that the Company has commenced full scale operations for the development of its products/services and advertised of some of its products/services.

The Company has started to establish teams to supports its business process outsourcing pursuits. It has also put up its own operations and back-end processes through service outsourcing. Management personnel are being sourced from a cooperative of professionals.

The Company is also working together with IMX Broadband, Inc. for purposes of research and development in connection with the plan to expand the Company's existing information technology platform in order to introduce related products and services and integrating wireless communication technologies.

On March 10, 2006 a Certificate of Registration as a Value Added Service (VAS) Provider as Voice over Internet Protocol (VOIP) Provider was issued by the National Telecommunications Commission (NTC) to the Company effective until March 9, 2007. The registration allows the Company to operate and maintain VOIP service in all cities and municipalities nationwide. The original registration was until March 9, 2007 renewed until March 8, 2013. The Company's application for the renewal of the registration for the period March 9, 2013 to March 8, 2014 is now pending approval with the NTC.

On December 18, 2008, the Company signed a Development Partnership Agreement with REWSS A/S, a Danish based company with an operations and development hub in the Philippines, and Next Mobile, a MTS (mobile telephone system) operator in the Philippines. REWSS A/S provides Network Business Intelligence (NBI) software solutions for operators worldwide with clients in the USA, Europe, Africa and Asia for various network technologies including CDMA, GSM and UMTS (2G and 3G). Using Next Mobile's network infrastructure, REWSS A/S will develop its REWS Stools for the iDEN Motorola technology. The Company will handle the project management role and use the end solution for iDEN in handling Next Mobile's Network Operations Center.

**Information on Independent Accountant**

The auditing firm of SGV & Co. is the incumbent external auditor of the Company for the calendar year 2012 and is being recommended for re-appointment for the current year.

**Audit and Audit Fees**

The aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the external auditor for the audit of the Company's annual financial statements is Php150,000 for 2012, Php110,000 for 2011, Php70,000 for 2010, Php70,000 for 2009, and Php60,000 for 2008.

The external auditor does not render any other assurance and services related to the performance of the audit nor does it render any professional service for tax accounting, advice, planning and any other form of tax services.

**Results of operations**

__Year 2012__

Total Consolidated revenues generated in 2012 amounted to Php50.0 Million or 84% higher than last year's revenue of Php27.1M. The increase in Revenue was brought about by the following:

1. Revenues from IT products and services of Php24.8M was increased by 15% or Php3.1M from last year's revenue of Php21.7M;
2. Revenues from IT resource augmentation of Php19.0M was increased by more than five times (5x) or Php15.7M from last year's revenue of Php3.4M; and,
3. Management fees were increased by Php4.8M from last year of Php240K.

Operating expenses increased by 12% in 2011, the increase was attributed largely due to charges of Cost of services of Php37.29M, Outside services of Php56.2M for development activities to support its thrust to focus on providing high value ICT services and interest on advances from shareholders amounting to Php37.58M, and impairment loss of Php4.9M. Equity in net losses of associates of Php3.1M. Other operating expenses include Communications at Php7.4M, Depreciation at Php6.9M, transportation and travel at Php6.4M. Advertising and promotion at Php4.6M, was due to spending in advertising and promotional campaigns for the Nowplanet.TV Justice Watch, Teletech promotional campaign, banners and various printed campaign materials. Professional fees at Php5.3M, Light and Water at Php3.7M, Rental at Php3.7M and taxes and licenses of Php460K.

Total Net income (loss) as of December 2012 is (Php138.1 Million) or Php3.3M less compared with last year of (Php141.3 Million).

As of December 2012, the total consolidated assets of ICTV stood at Php1.428 Billion compared with last year of Php1.415 Billion or an increase by Php12.957 Million. Current assets increased by Php17.5M or 23% to Php92.8M were due to the increase in trade receivables by Php11.3M, increase in advances by related parties by Php10.2M, while other current assets decreased by Php2.5M and Cash balance decreased by Php1.5M. However, non-current assets decreased by Php4.5M due to impairment of the Company's investment to Softrigger of Php3.8M that resulted in the decrease in investment in shares of stocks from Php1.297 Billion in 2011 to Php1.294 Billion in 2012.

Current liabilities decreased by Php157.9M were brought about by the reclassification to non-current liabilities of the advances owed to related parties amounting to Php272.6M. 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.

In October 2012, the Company secured a loan from a commercial bank amounting to Php40.5M 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 Metrobank 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 Php4.6M brought about by regular payments made to transportation vehicles under finance lease.

Total Consolidated Assets stood at Php1.428 billion, Liabilities at Php425.292 Million and Equity at Php1.003 Billion.

**Year 2011**

Total consolidated revenue generated in 2011 is Php27.1M higher by more than 20 times compared with last year of Php1.2M.

The operating expenses in 2011 increased by 341% in 2010 were mainly due to increases in Outside Services and Cost of services amounting to Php59.2M and Php27.2M respectively. The increased were due to the fact that the Company has commenced full scale operations for the development of its products/services and is preparing for the commercial launch of some of its products/services. Likewise, Interest on advances from shareholders to finance the operational requirements of the Company and finance lease totaling Php21.4M, and loss on remeasurement of Php11.7M were recognized in 2011. Other operating expenses include Professional fees at Php9.6M, Depreciation at Php4.7M, Rent at Php5.5M, Representation of Php2.4M, Communications at Php2.6M, Transportation & Travel at Php5.2M, Light & water at Php1.75M, Commission of Php1.4M, Dues and Subscription at Php1.2M, Salaries and other benefit of Php810K, Office Supplies at Php1.2M, and Taxes and licenses at Php749K.

Total Net income (loss) as of December 2011 is (Php141.3 Million) or Php104.3M higher compared in 2010 of (Php36.9 Million).

Current assets increased by 445% due to advances made to NMI at P9.6M,ThumbMob at P7.9M, Softrigger at P5.4M, IResource at P3.3M, Porteon Electric Vehicle at P2.6M.Likewise, trade and other receivables increased to P22.2M. The Noncurrent assets decreased by 1% percent due to reduction in investments and advances by P18.0M, while the loan of IMX Broadband, Inc. worth Php23.3M was reclassified to current assets when the Company agreed to have the loan extended up to August 30, 2012. Property and equipment increase by 109% due to the consolidation of property and equipment of its subsidiaries and purchase of Computers and transport equipment used for operations totaling P6.7M.

Current liabilities increased by 134% due to increase in advances from stockholders particularly from Velarde Inc. for P203.9M who funded the operations and investments of the Company including the current portion of the lease commitment amounting to Php3.4M pertaining to the purchase of transportation equipment through a four-year financing agreement also with Velarde, Inc.

Noncurrent liability increased by 71% to Php 8.4M representing the noncurrent portion of the lease commitment relevant to the purchase of transportation equipment through a four-year financing agreement with Velarde, Inc.

**Year 2010**

The Company's financial performance in 2010 resulted in a net loss of Php36.94Million.

The operating expenses increased by 1,000.49 % in 2010, the increase was attributed largely due to charges for Outside Services of Php22.29M for development activities to support its thrust to focus on providing high-value ICT services and the share of net loss on investments in associates amounting to Php4.53M. Other operating expenses include Rent at Php2.87M, Taxes & Licenses at Php2.44M, Light and Water at Php870K, Professional fees at Php1.36M, Communications at Php291K, Transportation & Travel at Php914K, Depreciation at Php466K, Repairs & Maintenance at Php346K, Training & Development at Php153K, Office Supplies at Php212K, Dues & Subscription at Php178K, and Entertainment ,amusement, and recreation expenses at Php245K.

Current assets decreased significantly by 36% due to the reclassification of IMX Broadband, Inc. loan worth Php23.29M to noncurrent assets when the Company agreed to have the loan extended for two years from August 30, 2010 to August 30, 2012 despite an increase of Php6M as advances made to Holy Cow, Inc. as future stock subscription pending its increase in authorized capital stock.

The Noncurrent assets increased by 4.5% percent due to the investments and advances for Softrigger Interactive, Inc. and Softweb Consulting, Inc. totaling Php26.47M including a Php7.9M increase in Machineries and Equipments due to the purchase of office and transport equipment used for operations.

Current liabilities increased by 7,025 % due to increase in trade payables brought about by Outside Services for Php21.57M for the company's development activities and the advances from stockholders particularly from Velarde, Inc. for Php53.30M who funded the operations and investments of the Company including the current portion of the lease commitment amounting to Php1.78M pertaining to the purchase of transportation equipment through a four-year financing agreement also with Velarde, Inc. A payable to Emerald Investments, Inc. was recorded for Php2.87M that comprised the rental, light and water expenses of the Company. The Income Tax payable decreased from Php280K in 2009 to Php20.94K in 2010 as MCIT due to net loss.

A noncurrent liability was recorded at Php4.88M representing the noncurrent portion of the lease commitment relevant to the purchase of transportation equipment through a four-year financing agreement with Velarde, Inc.

Total Assets stood at Php1.367 Billion, while Liabilities at Php84.76 Million and Equity at Php1.282 Billion.

**Item 7. Financial Statements**

The audited consolidated financial statements are attached as **"Annex A"**.
The audited financial statements for parent company are attached as **"Annex B"**.

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

There had been no disagreements with SGV & Co. with regard to accounting policies and financial disclosures of the Company.

## PART III - CONTROL AND COMPENSATION INFORMATION

**Item 9. Directors and Executive Officers of the Issuer**

Under the By-laws of the Company, the members of the Board of Directors shall hold office for a term of one (1) year until their successors shall have been elected and qualified.

**Board of Directors**

***Thomas G. Aquino,*** *age 63, Filipino, Chairman of the Board of Directors.* He was elected as Member of the Board of Directors on June 2, 2011. He is a Senior Fellow at the Center for Research and Communication, a multidisciplinary policy group of the University of Asia and the Pacific (UA&P). He is also a member of the Board of Directors of Philippines National Construction Corporation, Zamboanga Development and Management Corporation, and iCollege of the Philippines, Inc. Dr. Aquino served as Senior Undersecretary of the Philippine Department of Trade and Industry and supervised the country's international trade promotion, trade negotiations under the World Trade Organization (WTO) and the ASEAN Free Trade Area (AFTA), as well as bilateral trade talks with the country's major economic trading partners. He also served as overall lead country negotiator for the Philippines in the Japan-Philippines Economic Partnership Agreement and was country representative to the High Level Task Force on Asean Economic Integration. For his government service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was a recipient of the Gawad Mabini Award with the rank of Grand Cross (or Kamanong) for distinguished service to the country both at home and abroad. Dr. Aquino obtained a Doctorate in Business Administration in 1980 from the IESE Business School University of Navarre in Spain, an MS in Industrial Economics in 1972 from the University of Asia and the Pacific, and an AB in Economics in 1970 from the School of Economics of the University of the Philippines.

***Florangel Z. Rosario-Braid**, age 80, Filipino, Independent Director.* She is the President Emeritus of the Asian Institute of Journalism and Communication from 2005 to date. She is also a Board Member of the College Assurance Plan since 1994 and a Trustee of the Cultural Center of the Philippines since January 2011. She has served as Council Member of the UNESCO International Programme for the Development of Communication and the UNESCO Intergovernmental Council for the General Information Programme. She has been a UNESCO Adviser to Sri Lanka on Population Communication. She has also been a World Bank Consultant on Distance Education and a Consultant to the SC-EU Access to Justice for the Poor Project, the SC World Bank Change Management Program for the Judiciary and the Supreme Court of the Philippines-World Bank Project on Strengthening the Communication System of the Judiciary. She served as Commissioner of the UNESCO National Commission of the Philippines (Communication Committee) from 1990 to 2010. She also served as Chairman of the Philippine Social Science Council from 1988 to 1989. She was a Member of the 1986 Constitutional Commission. Dr. Braid graduated with a bachelor's degree from the University of the Philippines and finished her M.A. and Ph.D. at Syracuse University. She has published over a dozen books on communication, information technology, and continuing education, including Communication Strategies for Productivity Improvement. Dr Braid has received various awards and recognitions for her work. She was conferred The Outstanding Filipino (TOFIL) Awards for Literature and Journalism on December 13, 2007. In February 2008, Dr Braid was conferred the Hildegaard Awards for Outstanding Women in Media and Communication by St. Scholastica's College.

***Mel V. Velarde,** age 49, Filipino, President and Member of the Board of Directors,* was elected Vice-Chairman of the Company's Board of Directors on June 2, 2006 and served as such until March 22, 2007 when he was elected as Chairman of the Board of Directors. On January 21, 2008, he resigned his chairmanship and was again elected as Vice Chairman of the Board until June 2, 2011. He was elected as President of the Company on June 13. 2011. Mr. Velarde has been the Chairman of the Executive Committee, Director, and Chief Executive Officer of Next Mobile, Inc. and Chairman and President of The Velarde Group, Inc., and its affiliates. He served as Philippine Commissioner to the United Nations Educational, Scientific and Cultural Organizations (UNESCO) and Chairperson of the Committee on Science and Technology. Mr. Velarde has built a career in broadcasting, cable TV, telecommunications and information communications technology. He was former Executive Vice President and General Manager of Sky Cable, a cable TV company that became the largest in the Philippines. Mr. Velarde pursued his masteral studies in Business Economics at the University of Asia and the Pacific, and has taken Strategic Planning, Marketing and Finance at the Asian Institute of Management and at the University of Michigan. He completed the Owner/President Management Program at the Harvard Business School, Harvard University, Cambridge, Massachusetts.

***Wilfred S. Racadio,** age 49, Filipino, Director,* served as a member of the Board of Directors from 2005 to January 2007 and from January 2008 to present. He was the Treasurer of the Company from 2005 to June 2006, when he was elected President to serve as such until January 2007 when he resigned the position. He was again elected as President of the Company on January 2008 and served as such until June 2011. He also served as Chief Finance Officer and Board Member of Next Mobile, Inc. He has 20 years experience in investment banking, commercial law, finance, and audit. He worked and held key management positions in various companies such as AACTC, Sycip Salazar Hernandez & Gatmaitan Law Offices, Sycip Gorres Velayo & Co. (SGV), and the University of the Philippines. He is the President and member of the Board of AGV-Phil-I, Inc. He is a Certified Public Accountant and a Lawyer. He obtained his Bachelor of Laws and Bachelor of Science in Business Administration and Accountancy from the University of the Philippines.

***Jose S. Alejandro,** age 76, Filipino, Director,* served as Chairman of the Board of Directors of the Company on June 2, 2006 until March 22, 2007 when he resigned from said position and was elected as the Company's President. He served as President until January 21, 2008. Mr. Alejandro has also been a Member of the Board of Directors of Next Mobile, Inc. since 1989 and he now serves as the Board's Vice-Chairman. He is a business and management professional and leader with over 25 years of corporate experience. He was the former President and CEO of East Asia Power Resources, a local publicly-listed independent power producer during the period of local economic crisis (1997-1999), Country Manager for the Power Systems Business of General Electric Co. (1987-1995), and Vice President - Marketing at GE Philippines, Inc. and General Manger of GE Appliance Co. In these capacities, he led the growth and success of this leading U.S. global diversified corporation in the Philippines. He holds a Bachelor of Arts and Bachelor of Law degrees from the Ateneo de Manila University, and is a member of the Philippine Bar.

***Marcelito R. Ordonez**, age 57, American, Director,* was elected to this position on January 21, 2008. He worked with AB Capital & Investment Corporation for 19 years from 1981 to 2000. From 2000 to 2001, he was a member of the management team of ICTSI International, wherein he occupied the position of Vice-President for Finance. He is currently the Managing Director of ATR Kim-Eng Securities, Inc., one of the largest independent investment houses in the country today. He obtained his degree in Bachelor of Science, Major in Business Administration from the University of the Philippines and his Masters in Business Administration from Columbia University.

***Veronica T. Merk**, age 58, Filipino, Independent Director,* was elected as such on June 2, 2011. She is the President of MerkMedia, Inc., a Multimedia and creative production company that produces Audio Post Productions, AVPS, Commercials, Music Video, Music Recording, Video Editing and Talent Management. She is also the President and CEO of Laurel Media and a consultant of Media and Public Relations. She is a Director of Pearl S. Buck Foundation. She is also the Chairman and Director of the Music Competitions for Young Artists Foundation, Inc. She holds key positions in Prime Asia Magazine and Pinoy Global Access. She has held various key positions in the Corporate Communications Department, Office of the President; BPI Foundation, Inc; Bank Marketing Association of the Philippines; Ayala Now and, the Ayala Group of Companies. She is a Member and Board Advisor of the International Association of Business Communicators.

***Winnita V. Rosero**, age 47, Filipino, Director,* was elected as member of the Board of Directors on December 15, 2011. She served as Marketing Manager of Wizard Academy, a school which offered preparatory education. She also served as Managing Director of Altimax Broadcasting, Inc. In 2004, she served as Vice-Chairman of the Executive Committee and Vice-President of the Human Resource and Quality Administration of Next Mobile, Inc. In 2009, she ventured into the beauty and wellness business and set-up Vanilla Spice. She is the President of Velarde, Inc. and Jonahs and Seths Holdings, Inc. She obtained her Bachelor of Science, Major in Tourism, in the University of the Philippines, Diliman, where she received an award of Proficiency in French. She also obtained her Masters in Management from the Asian Institute of Management, Makati City.

***Vicente Martin W. Araneta III**, age 48, Filipino, Director,* was elected as member of the Board of Directors on March 13, 2012. Mr. Araneta is also a member of the Board of Directors and the Vice-President for Innovative Marketing of ActivAsia, Inc., a 360-degree marketing services company specializing in Out-of-Home, events, point-of-sale and channel activation, tourism marketing, sports marketing and creative services. He also serves as Director and President of Facilities, Inc. and as Chairman of Real Properties, Inc., the holding company of Facilities, Inc. and owner of the Palladium Subdivision. He is a member of the Mandaluyong Chamber of Commerce & Industry, Inc. and occupied various key positions including 1st Vice President-Director for the period 2004-2005. He is also a member of the Management Association of the Philippines and of the Chamber of Real Estate and Builders Associations, Inc. Mr. Araneta is a member of the Ateneo Alumni Association, Inc. and served as a member of its Board of Directors for the period 2005-2007 and 2009-2012. He is also the President of Ateneo, Inc. and a member since 2011 of the Philippine Association of Congress Exhibitors/ Organizers & Suppliers, Inc. (PACEOS). He is the incorporator of the Mandaluyong Business Foundation. Mr. Araneta also served as Director for the period 2004 to 2005 of the Philippine Science High School Foundation. He was also the Executive Director of North Philippines Visitors Bureau, Inc. for the period July 2008 to July 2010.

***Gerard Bnn R. Bautista**, age 48, Filipino, Director,* was nominated as a member of the Board of Directors for the year 2012-2013. He is also currently the Chairman of the University of Baguio Foundation. He is a partner in BNN Bautista Associates, an Architecture & Planning firm established in 1969, and the President of Eduplan Philippines, Inc., a leading educational pre-need insurance company. He is a Charter Member of the Rotary Club of Makati, Greenbelt. He is also currently a member of various associations, namely, the Harvard Architectural and Urban Society, the Harvard Club of the Phils., the Harvard Alumni Alliance for the Environment, the Harvard Alumni Entrepreneurs, the Philippine Jaycees Senate, Rockwell Club, the Porsche Club of the Philippines, and the Rockwell Club, Baguio Country Club. He served as President of the Makati Jaycees. He obtained his Bachelor of Science in Architecture in the University of the Philippines. In 1987, he obtained post graduate studies in Information Technology for Architects in the Ateneo de Manila University. In 2002, he obtained post graduate studies in Financial Forecasting in the Center for Research and Communications in Mandaluyong. Likewise in 2002, he obtained post graduate studies in Finance for Senior Executives in the Asian Institute of Management in Makati City. He also obtained post graduate studies in Actual Planning and in School Planning and Design in Harvard University in Cambridge, Massachusetts.

***Jose Manuel Romualdez,*** *age 63, Filipino,* was elected as Vice-Chairman of the Board of Directors on 2010 and served as such until 25 January 2012[1]. He was also elected as Chairman of the Board of Directors on January 21, 2008 and served as such until 2010. Mr. Romualdez is a Columnist at the Philippine Star, a Publisher of People Asia Magazine, and President of the Manila Overseas Press Club. He likewise serves as Chief Executive Officer of Stargate Media Company, a position he occupied since 2001. He is also currently the President and Chairman of the Board of BAROM International Group, and Executive Vice President of Philippines, Inc. He obtained his degree in B.S. Business Administration from the De La Salle College.

***Angeline L. Macasaet,*** *age 39, Filipino, Director,* was elected as Member of the Board of Directors in 2009. She is also currently the Corporate Secretary, Chief Information Officer and Compliance Officer of the Company. She is a member of the Philippine Bar. She is also the Corporate Secretary of Velarde, Inc. and Acting Corporate Secretary of The Velarde Group Companies, including The Velarde Group, Inc., Gamboa Holdings, Inc., Foodcamp Industries and Marketing, Inc. and Emerald Investments, Inc. She ensures the compliance of these companies with all regulatory requirements as well as the legal requirements involving specific transactions. She also acts as legal counsel for various corporations such as Velarde, Inc. and IMX Broadband.

***Maria Lida S. Sarmiento,*** *age 47, Filipino, Director, was elected as a Member of the Board of Directors in 2010 and served as such until June 7, 2012.* She was the Treasurer of the Company until June 7, 2012. She is also currently a Director and/or Officer of various corporations, including Next Mobile, Inc., Gamboa Holdings, Inc., Emerald Investments, Inc., Foodcamp Industries and Marketing, Inc., from 2002 to present. She is a Certified Public Accountant and has over 15 years experience in corporate finance and accounting. She worked in various industries such as banking (RCBC), retail sales (Cinderella Marketing), food service (Jollibee – franchises), broadcasting (NU 107 & Citylite 88.3), movie production (Premiere Entertainment Productions, Inc.) and internet service (One Virtual Corporation). She obtained her Bachelor of Science (Accountancy) Degree from the University of Santo Tomas.

***Joel C. Valdes,*** *age 54, Filipino,* was elected as Member of the Board of Directors of the Company on June 13, 2011 and served as such until June 7, 2012. He is the Founder and Chief Executive Officer of Joel C. Valdes & Associates, Inc. which provides merchant banking services to both the private and public sector, acts as the principal and/or agent in Project Financing, Mergers or Acquisitions, advises clients in the structuring, negotiation, and closure of the funding needs of a Project, and/or assists corporations in the capital formation requirements of their business plan. He served as President and member of the Board of Directors of Ernst and Young Transaction Advisory Services. He was the undersecretary of the Department of Finance and at the same time the President/Vice-Chairman of the Board of Directors of the Trade and Investment Development Corporation of the Philippines (also known as the Philippine Export and Import Credit Agency or PhilEXIM) for the period October 2001 up to January 2004. He was also the President and Member of the Board of Directors of Corporate Access Holdings, Inc. from March 1997 to October 2001 and of Urbancorp Investments, Inc. from August 1995 to March 1997. He held key positions in Citicorp Capital Philippines, Inc., Citibank, NA Manila, Development Bank of the Philippines and in Conspectus Foundation, Inc. He is a lecturer on Financial Literacy in Corporate Governance under the Institute of Corporate Directors' (ICD) series of programs for private and corporate Boards of Directors and under the Institute for Solidarity in Asia (ISA) for national government institutions and local government units. He is a member of the Board of Directors of the Institute of Corporate Directors and the Institute of Solidarity in Asia. He pursued his graduate studies in the Asian Institute of Management with Masters in Business Management.

**Independent Directors**

Dr. Florangel Z. Rosario-Braid and Ms. Veronica T. Merk are the two (2) independent directors of the Company.

**Management Team**

The following are the members of the Company's management team:

Thomas G. Aquino - Chairman of the Board (See above.)

[1] Mr. Jose Manuel Romualdez resigned as member of the Board of Directors of ICTV on January 25, 2012.

| | | |
|---|---|---|
| Jose Manuel Romualdez | - | Vice Chairman of the Board (See above.) |
| Mel V. Velarde | - | President (See above.) |
| Angel Timoteo Diaz de Rivera | - | President for Collaborative, ICT Services Division[2] |
| Alex M. Aloba | - | President for Business Development[3] |
| Patricio S. Carlos | - | Treasurer (See above.) |
| Angeline L. Macasaet | - | Corporate Secretary (See above.) |

**Non-executive Officers**

*D. Enrique O. Co, age 42, Filipino, Legal Counsel,* served as Legal Counsel of the Company from January 2002 up to the present. He also served as the Corporate Secretary of the Company from 10 June 2004 until 30 August 2005 and from 1 November 2006 up to 21 January 2008. Upon the resignation of Atty. Carpio, he served as the Acting Corporate Secretary of the Company from August 1, 2008 until March 18, 2009. He is currently serving as Director and/or Corporate Secretary of several Philippine corporations. Atty. Co is also the Managing Partner of Co Ferrer & Ang-Co Law Offices. Atty. Co obtained his BS Business Administration (*cum laude*) and Law Degrees from the University of the Philippines.

**Identity of Significant Employees**

There is no person who is not an executive officer who is expected to make a significant contribution to the business of the Company.

**Family Relationship**

Mr. Mel V. Velarde and Ms. Winnita V. Rosero are siblings.

**Involvement in Certain Legal Proceeding**

There are no pending legal proceedings involving Bankruptcy Petition, Conviction by Final Judgment or being subject to any Order, Judgment or Decree, or Violation of a Securities commodities Law to which any director, any nominee for election as director, executive officer, underwriter or control person of the Company is a party thereof have occurred during the past five (5) years up to the latest date that are material to evaluation.

There are no pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject thereof. Neither is the registrant involved in any proceedings known to be contemplated by government authorities and any other entity.

There are no pending legal proceedings involving Bankruptcy Petition, Conviction by Final Judgment or being subject to any Order, Judgment or Decree, or Violation of a Securities commodities Law to which any registrant or any of its subsidiaries or affiliates is a party, have occurred during the past five (5) years up to the latest date that are material to evaluation.

**Item 10. Executive Compensation**

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the ensuing year (2013) are as follows:

| ACTUAL | | | | |
|---|---|---|---|---|
| | COMPENSATION | OTHERS | 2012 TOTAL | 2011 |
| A. Five (5) most highly compensated Executive Officers | 19,117,367.00 | 9,000.00 | 19,126,867.00 | 8,116,000.00 |

[2] Mr. Angel Timoteo Diaz de Rivera resigned from the Company effective on January 1, 2013.
[3] Mr. Alex M. Aloba resigned from the Company effective on October 31, 2012.

| | | | | |
|---|---|---|---|---|
| All directors and executive officers as a group unnamed | **6,021,667.00** | **25,500.00** | **6,047,167.00** | 12,069,000.00 |

| | Projected 2013 | | |
|---|---|---|---|
| | **COMPENSATION** | **OTHERS** | **TOTAL** |
| A. Five (5) most highly compensated Executive Officers | 17,898,973.00 | 13,500.00 | 17,912,473.00 |
| All directors and executive officers as a group unnamed | **2,064,773.00** | **21,000.00** | **2,085,000.00** |

The following are the 5 highest compensated directors / executive officers of the Company: 1. Thomas G. Aquino, 2. Angel Timoteo Diaz de Rivera, 3. Mel V. Velarde, 4. Rico Jay Sabino, Jr. 5. Alvy Raymundo.

**Standard Arrangement**

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly for any services rendered provided as a director/executive officer for the last completed fiscal year and the ensuing year.

**Other Arrangement**

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

**Terms and Conditions of any Consultancy Contract or any Compensatory Plan or Arrangement between the Company and Executive Officers**

None.

**Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors**

None.

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

**Voting Securities and Principal Holders Thereof**

The Company has issued outstanding common shares totaling 1,317,278,350 shares as of December 31, 2012. All outstanding shares as of record date are entitled to notice and to vote, on a one-share – one vote basis.

**Security Ownership of Certain Record and Beneficial Owners**
**(More than 5% as of December 31, 2012)**

| Title of class | Name, Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|---|---|---|---|---|---|
| Common | Top Mega Enterprises Limited<br>11/F Fortune House<br>61 Connaught Road Central, Hong Kong | Direct | Chinese | 377,035,951 | 28.62% |
| Common | PDC Nominee Corp. – Filipino | Direct | Filipino | 269,689,939 | 20.47% |
| Common | Gamboa Holdings, Inc.<br>2244 Espana Ave., Mla. | Direct | Filipino | 259,388,483 | 19.69% |
| Common | Emerald Investments, Inc.<br>2244 Espana Ave., Mla. | Direct | Filipino | 223,787,616 | 16.99% |
| Common | Foodcamp Industries & Marketing, Inc.<br>2244 Espana Ave., Mla. | Direct | Filipino | 92,203,092 | 7.00% |
| Common | Joyce Link Holdings, Limited 11/F<br>Fortune House<br>61 Connaught Road Central, Hong Kong | Direct | British | 86,458,552<br>(d) | 6.6% |

**Security Ownership of Directors and Management as of December 31, 2012**

The directors and officers of the Company have no security ownership in the capital stock of the Company other than the qualifying shares recorded in the names of the directors but beneficially owned by Gamboa Holdings, Inc. or Foodcamp Industries and Marketing, Inc.:

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of class |
|---|---|---|---|---|
| Common | Thomas G. Aquino | 1 (Direct) | Filipino | <.01 |
| Common | Mel V. Velarde | 10 (Direct) | Filipino | <.01 |
| Common | Wilfred S. Racadio | 1 (Direct) | Filipino | <.01 |
| Common | Jose S. Alejandro | 10 (Direct) | Filipino | <.01 |
| Common | Marcelito R. Ordonez | 1 ((Direct) | American | <.01 |
| Common | Angeline L. Macasaet | 1 (Direct) | Filipino | <.01 |
| Common | Veronica T. Merk | 10 (Direct) | Filipino | <.01 |
| Common | Vicente Martin W. Araneta III | 1 (Direct) | Filipino | <.01 |
| Common | Winnita V. Rosero | 1 (Direct) | Filipino | <.01 |
| Common | Florangel Z. Rosario-Braid | 1 (Direct) | Filipino | <.01 |
| Common | Gerard Bnn R. Bautista | 1 (Direct) | Filipino | <.01 |
| Common | Patricio S. Carolos (Treasurer) | 0 | Filipino | 0 |

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

**Item 12. Certain Relationships and Related Transactions**

None of the Advisors, Executive Officers and Management employees are related by affinity or consanguinity. In the normal course of business, the following transactions have been entered into with related parties:

| Related Party | Nature of Relationship | Nature of Transaction | Elements of Transactions | | | |
|---|---|---|---|---|---|---|
| | | | Balance Sheet | | Income Statement | |
| | | | 2012 | 2011 | 2012 | 2011 |

| | | | | | | |
|---|---|---|---|---|---|---|
| IMX Broadband, Inc. | Associate | Loans & receivables | 25,162,579 | 24,228,514 | | |
| | | Interest income | | | 1,090,065 | 1,309,446 |
| Gamboa Holding Inc. | | Payables | 2,035,055 | | | |
| Emerald Investments, Inc. | Stockholder | Payables | 2,902,918 | 2,902,918 | | |
| | | Rental | | | | 1,189,311 |
| Next Mobile, Inc. | Associate | Receivable | 18,017,022 | 13,265,403 | | |
| | | Investment | 1,289,278,350 | 1,289,278,350 | | |
| Velarde, Inc. | Stockholder | Payables | 272,746,632 | 206,292,451 | | |
| Softweb Consulting, Inc. | Associate | Investments | 3,076,725 | 3,076,725 | | |
| | | Deposit for Future Subscription | 5,000,000 | 5,000,000 | | |
| | | Loans Receivable | 500,000 | 500,000 | | |
| | | Receivable | 4,054,360 | 590,000 | | |
| | | Payables | 0 | 3,805,182 | | |
| Softrigger Interactive, Inc. | Associate | Investments | 13,906,473 | 13,906,473 | | |
| | | Loans Receivable | 6,797,832 | 5,943,062 | | |
| | | Accrued Interest Income | | | | 63,648 |
| Holy Cow Animation, Inc. | Associate | Deposit for Future Subscription | 6,000,000 | 6,000,000 | | |
| | | Loans Receivable | 2,211,771 | 2,033,000 | | |
| | | Receivable | 1,633,683 | | | |
| | | Investment | 1,370,480 | 1,370,480 | | |
| | | Accrued Interest Income | | | | 53,588 |
| IResource | Associate | Receivable | 3,391,277 | 2,655,112 | | |
| | | Investment | 250,000 | 250,000 | | |
| iProfessional | Associate | Investment | 499,500 | 0 | | |
| | | Payables | 450,000 | 0 | | |
| ThumbMob | Associate | Investment | 14,344,868 | 14,344,868 | | |
| Porteon | Associate | Investment | 250,000 | 250,000 | | |
| | | Receivable | | | | |
| | | Loan Receivable | 2,160,300 | 2,160,300 | | |
| JSIT | Associate | Receivable | 3,723,956 | 1,017,555 | | |
| | | Investment | 2,634,131 | 2,634,131 | | |

The Company is working together with IMX Broadband, Inc. for purposes of research and development in connection with the plan to expand the Company's existing information technology platform in order to introduce related products and services and integrating wireless communication technologies.

In 2005, the Company entered into an agreement to promote and market the telecommunications services of Next Mobile, Inc. (NMI) to the Company's clients for a period of three (3) years until May 2008. In consideration thereof, the Company billed NMI P5.0 million 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 P850,000 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained will be paid by NMI. In 2006, the Company billed NMI P3.1 million for its services.

In 2007, Emerald Investments, Inc. (EII) a stockholder of the Company gave non-interest bearing advances to the Company to fund the working capital requirement of the Company.

In 2008, the Company entered into an agreement with Emerald 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 ending on December 31, 2011. On January 28, 2009, the Company and EII amended the Sub-Lease

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 parties shall annually review the monthly rental as prevailing circumstances may necessitate.

On November 17, 2008, Velarde, Inc. (Velarde) appointed the Company as Financial Advisor and Arranger in relation to Velarde's interest in selling part or all of its shareholdings in Altimax Broadcasting Co., Inc. The engagement is for a limited period of six months only. Income earned from this engagement amounted to ₱ 600,000.

On October 12, 2009, Velarde, Inc., appointed the Company as Financial Advisor and Arranger in relation to Velarde Inc.'s objective of acquiring equity interest in companies in the telecoms, media, and information technology (TMT) space. The engagement is for a limited period of nine (9) months only. Income earned from this engagement amounted to PhP3,000,000.00.

## PART IV - EXHIBITS AND SCHEDULES

### Item 13. Corporate Governance

In line with SEC Memorandum Circular No. 6, Series of 2009, the Company adopted a Revised Manual on Corporate Governance providing for best practices on good governance.

Compliance with the principles of good corporate governance starts with the Board of Directors. It is the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Company has complied with the requirements of the Manual on Corporate Governance for the completed year, and that no deviation was made in any form as provided for in the Compliance System of the Model Manual. The Company has undertaken measures in adopting the leading practices on good corporate governance by regularly reviewing and discussing compliance with the said manual.

There are continuing plans to improve the Company's corporate governance. Existing policies and procedures are being reviewed to enhance organizational structure, operation and risk management. Any plan to improve the Company's corporate governance will be discussed in the coming annual stockholders meeting.

## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

**(a) Exhibits**

The audited consolidated financial statements are attached as **"Annex A"**. The audited financial statements for the Company are attached as **"Annex B"**. The Secretary's Certificate certifying the authorized signatories for the Statement of Management Responsibility is attached as **Annex "C"**.

**(b) Reports on SEC Form 17-C**

The following were the reports on SEC Form 17-C filed during the year:

| DATE | PARTICULARS |
|---|---|
| 3 January 2012 | Certification of the Company's compliance with the requirements of the Revised Manual on Corporate Governance for the year 2011. |
| 13 January 2012 | Certification of the Company's compliance with the requirements of the Revised Manual on Corporate Governance for the year 2011 (Amended). |
| 13 January 2012 | Summary of the attendance of the members of the Board of Directors during board meetings held for the year 2011. |

| | |
|---|---|
| 25 January 2012 | Resignation of Mr. Jose Manuel G. Romualdez. |
| 13 March 2012 | Regular Board Meeting of the Company's Board of Directors wherein the Board approved the following:<br>1. Establishment in Delaware, USA of a company to be named NowPlanet.TV (or such other name as the management may choose) in partnership with Paradise Green LLC<br>2. Setting of record date on 30 April 2012 for the Company's annual stockholders meeting on 7 June 2012<br>3. Grant of delegated authority to the Chairman and President to approve the 2011 Audited Financial Statements<br>4. Change in the principal office address |
| 10 April 2012 | Change in the principal office of the Company 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 C. Palanca Street corner Dela Rosa and Gil Streets, Legaspi Village, Makati City. |
| 9 May 2012 | Submission of the List of the Company's stockholders entitled to vote as of April 30, 2012 for the 2012 Annual Stockholders' Meeting. |
| 18 May 2012 | Change of the Company's new official website from www.ictv.ph to www.ictvglobal.com. |
| 7 June 2012 | Annual Stockholders' Meeting; Election of Directors. |
| 15 August 2012 | Joint Organization and Regular Board Meeting of the Company's Board of Directors. |
| 29 November 2012 | Report on the Audit and Risk Committee Charter. |
| 29 November 2012 | Letter reply to the 15 November 2012 letter from the Securities and Exchange Commission. |

Quarterly Financial Reports (Form 17-Q) were submitted to the SEC for the quarter ending March, June and September 2012 on May 15 (SEC Form 17-Q for 1st Quarter), June 29 (Amended SEC Form 17-Q for 1st Quarter), August 14 (SEC Form 17-Q for 2nd Quarter), September 19 (Amended SEC Form 17-Q for 2nd Quarter), November 14 (SEC Form 17-Q for 3rd Quarter), December 21 (Amended SEC Form 17-Q for 3rd Quarter) 2012.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the Makati City on 30 April 2013.

By:

**MEL V. VELARDE**
President

**PATRICIO S. CARLOS**
Treasurer

**SUBSCRIBED AND SWORN** to before me this 30th day of April 2013 affiants exhibiting to me their respective Tax Identification Number, as follows:

| NAMES | TIN |
|---|---|
| **Mel V. Velarde** | **102-873-784** |
| **Patricio S. Carlos** | **119-276-407** |

Doc. No. 507;
Page No. 103;
Book. No. 32;
Series of 2013.

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31 2013
Appt No M-521 Makati City
IBP #899793 May 22 2012-RSM
PTR #3685485 Jan 16 2013-Makati
S C Roll No 59597
MCLE Compliance No IV-0011330
Unit 6E Cityland Herrera Tower
#98 Rufino St cor Valero St
Salcedo Village Makati City

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Information Capital Technology Ventures, Inc.** ( **ICTV**) is responsible for the preparation of the consolidated financial statements for the years ended December 31, 2012 and 2011, including the additional components attached herein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders or member.

SyCip Gorres Velayo & Co., the independent auditors and appointed by the stockholders for the period December 31, 2012 and 2011, respectively, have examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Thomas Aquino

**THOMAS G. AQUINO**
Chairman of the Board

**MEL V. VELARDE**
President

**PATRICIO S. CARLOS**
Treasurer

Signed this 30th day of April 2013

**SUBSCRIBED AND SWORN TO** before me this 30th day of April 2013, affiants appeared and exhibited their respective valid identification as follows:

| Name | Passport/Driver's License No. | Date and Place of Issue |
|---|---|---|
| Thomas G. Aquino | EB6321659 | 12 September 2012-DFA Manila |
| Mel V. Velarde | XX3902732 | 05 June 2009-DFA Manila |
| Patricio S. Carlos | NO1-90-110314 | 09 August 2011-Manila West |

Doc No.: 508;
Page No.: 103;
Book No.: 32;
Series of 2013.

ATTY. HOBERT N. LUZ
NOTARY PUBLIC
Until December 31 2013
Appt No M-521 Makati City
IBP #899793 May 22 2012-RSM
PTR #3685485 Jan 16 2013-Makati
S.C. Roll No 59597
MCLE Compliance No IV-0011330
Unit 6F Cityland Herrera Tower
#98 Rufino St cor Valero St
Salcedo Village Makati City

REPUBLIC OF THE PHILIPPINES)
Makati City ) S.S.

## SECRETARY'S CERTIFICATE

I, **ANGELINE L. MACASAET**, of legal age, Filipino, and with office address at Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City, hereby state and certify under oath, that:

1. I am the duly elected and incumbent Corporate Secretary of Information Capital Technology Ventures, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines with office address Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City;

2. I hereby certify that at the 12 March 2013 Regular Meeting of the Board of Directors of the said Corporation, a quorum being present and acted throughout, the following resolution was unanimously adopted:

> "**RESOLVED,** as it is hereby resolved, That the Corporation's Chairman, or in his absence the Vice Chairman, be authorized to sign, together with the President and Treasurer, the Statement of Management Responsibility in connection with the Corporation's filing of Annual Income Tax Return and Audited Financial Statements for 2012 to be filed in 2013."

3. This Certificate is being issued to attest to the truth of the foregoing and for whatever legal purpose it may serve.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 30th day of April 2013 in the City of Makati, Philippines.

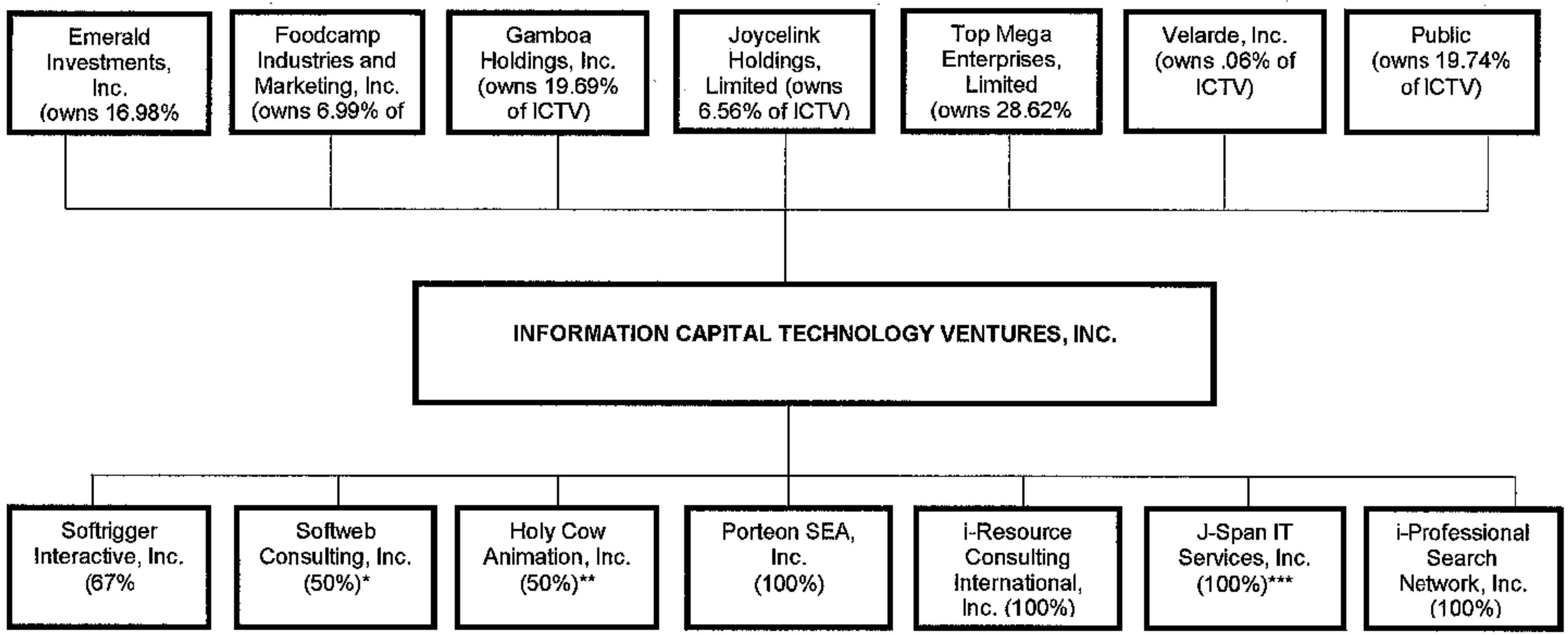
**ANGELINE L. MACASAET**
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 30th day of April 2013, affiant personally appeared and exhibited to me her Passport with No. XX2394717 issued by DFA-Manila valid until 27 October 2013.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2014
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2013-2014)
PTR No. 3664330 Jan. 2, 2013
Makati City Roll No. 40091
101 Urban Ave., Brgy. Pio del Pilar,
Makati City

Doc. No. 267;
Page No. 59;
Book No. XXII;
Series of 2013.

**Information Capital Technology Ventures, Inc.**
Map of the Relationships as of 31 December 2012



# COVER SHEET

A1997-00179
SEC Registration Number

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

(Company's Full Name)

Unit 5-I, 5th Floor, OPL Building 100 C. Palanca Street Legaspi Village Makati City

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

**Atty. Angeline Macasaet**
(Contact Person)

**(632) 750-0461 / (632) 750-0211**
(Company Telephone Number)

| 12 | 31 |
|---|---|
| *Month* | *Day* |

(Calendar Year)

17-A
(Form Type)

| 06 | 03 |
|---|---|
| *Month* | *Day* |

(Annual Meeting)

**Not Applicable**
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

**Not Applicable**
Amended Articles Number/Section

Total Amount of Borrowings

| **Not Applicable** | **Not Applicable** |
|---|---|
| Domestic | Foreign |

**71**
Total No. of Stockholders

---

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

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

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors
Information Capital Technology Ventures, Inc.
Unit 5-I, 5th Floor, OPL Building
100 C. Palanca St., Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Information Capital Technology Ventures, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012 and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Information Capital Technology Ventures, Inc. and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until March 14, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 3670038, January 2, 2013, Makati City

April 26, 2013

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Information Capital Technology Ventures, Inc.

We have audited the accompanying consolidated financial statements of Information Capital Technology Ventures, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012 and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Information Capital Technology Ventures, Inc. and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until March 14, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 3670038, January 2, 2013, Makati City

April 26, 2013

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors
Information Capital Technology Ventures, Inc.
Unit 5-I, 5th Floor, OPL Building
100 C. Palanca St., Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Information Capital Technology Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 26, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 (Amended 2011) and Securities and Exchange Commission Memorandum Circular No.11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until March 14, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 3670038, January 2, 2013, Makati City

April 26, 2013

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**
**AND SUBSIDIARIES**

## CONSOLIDATED BALANCE SHEETS

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | **₱1,467,152** | ₱2,958,892 |
| Trade and other receivables (Note 5) | **33,444,719** | 22,183,668 |
| Amounts owed by related parties (Note 11) | **52,137,222** | 41,924,200 |
| Other current assets (Note 6) | **5,749,482** | 8,245,337 |
| **Total Current Assets** | **92,798,575** | 75,312,097 |
| **Noncurrent Assets** | | |
| Investments and advances (Note 8) | **1,294,278,350** | 1,297,355,075 |
| Property and equipment - net (Note 9) | **16,552,657** | 16,528,292 |
| Other noncurrent assets (Notes 7 and 8) | **24,485,434** | 25,961,797 |
| **Total Noncurrent Assets** | **1,335,316,441** | 1,339,845,164 |
| **TOTAL ASSETS** | **₱1,428,115,016** | ₱1,415,157,261 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Loans payable (Note 13) | **₱40,500,000** | ₱– |
| Current portion of obligations under finance lease (Note 12) | **3,076,625** | 3,437,591 |
| Accounts payable and accrued expenses (Note 10) | **102,336,932** | 49,956,297 |
| Amounts owed to related parties (Note 11) | **2,948,339** | 213,000,551 |
| Income tax payable | **–** | 69,728 |
| **Total Current Liabilities** | **148,861,896** | 266,464,167 |
| **Noncurrent Liabilities** | | |
| Obligations under finance lease - net of current portion (Note 12) | **3,683,905** | 8,357,168 |
| Amounts owed to related parties (Note 11) | **272,746,632** | – |
| **Total Noncurrent Liabilities** | **276,430,537** | 8,357,168 |
| **Equity Attributable to Equity Holders of the Parent** | | |
| Capital stock - ₱1 par value (Note 14) | | |
| Authorized - 1,320,000,000 shares | | |
| Issued - 1,317,278,350 shares | **1,317,278,350** | 1,317,278,350 |
| Deficit | **(309,971,214)** | (173,287,152) |
| Cumulative translation adjustment | **644,839** | 48,142 |
| | **1,007,951,975** | 1,144,039,340 |
| **Non-controlling Interest** | **(5,129,392)** | (3,703,414) |
| **Total Equity** | **1,002,822,583** | 1,140,335,926 |
| **TOTAL LIABILITIES AND EQUITY** | **₱1,428,115,016** | ₱1,415,157,261 |

*See accompanying Notes to Consolidated Financial Statements.*

## INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2012** | 2011 | 2010 |
| **REVENUES** | | | |
| Service fees | **₱43,849,783** | ₱25,040,818 | ₱254,952 |
| Marketing, management and consultancy fees (Note 11) | **5,040,000** | 240,000 | – |
| Interest income (Note 11) | **1,124,906** | 1,851,205 | 992,629 |
| | **50,014,689** | 27,132,023 | 1,247,581 |
| **COST AND EXPENSES** | | | |
| Outside services (Note 11) | **56,202,154** | 59,185,697 | 22,292,764 |
| Interest expense (Notes 11 and 13) | **38,785,247** | 21,376,850 | – |
| Cost of services (Note 11) | **37,288,755** | 27,175,272 | 178,511 |
| Communication | **7,400,707** | 2,567,580 | 291,934 |
| Depreciation and amortization (Note 9) | **6,952,885** | 4,671,570 | 466,775 |
| Transportation and travel | **6,386,036** | 5,219,019 | 914,461 |
| Professional fees | **5,321,818** | 9,607,028 | 1,356,471 |
| Advertising and promotion | **4,614,624** | 436,691 | – |
| Impairment loss on goodwill (Note 7) | **3,821,331** | – | – |
| Light and water | **3,758,867** | 1,750,492 | 870,498 |
| Rental (Note 11) | **3,690,910** | 5,464,817 | 2,874,203 |
| Entertainment, amusement and recreation | **3,101,913** | 2,371,250 | 245,114 |
| Equity in net losses of associates (Note 8) | **3,076,725** | 7,888,415 | 4,528,387 |
| Provision on impairment loss on receivables (Note 5) | **1,094,699** | 664,603 | – |
| Dues and subscription | **1,084,446** | 1,203,013 | 178,034 |
| Salaries and other employee benefits | **916,544** | 810,152 | – |
| Office supplies | **891,168** | 1,239,951 | 212,667 |
| Training and development | **705,731** | 680,822 | 153,997 |
| Commission | **607,101** | 1,434,805 | – |
| Taxes and licenses | **460,506** | 749,685 | 2,436,367 |
| Insurance | **407,283** | 109,300 | 2,422 |
| Repairs and maintenance | **349,653** | 343,372 | 346,481 |
| Foreign exchange losses | **230,396** | 341,424 | – |
| Directors' fees | **37,725** | 46,500 | 49,500 |
| Loss on remeasurement of previously held interest (Note 7) | **–** | 11,745,683 | – |
| Research and development costs | **–** | – | 17,000 |
| Others | **734,003** | 1,280,350 | 746,110 |
| | **187,921,227** | 168,364,341 | 38,161,696 |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2012** | 2011 | 2010 |
| **LOSS BEFORE INCOME TAX** | **₱137,906,538** | ₱141,232,318 | ₱36,914,115 |
| **PROVISION FOR INCOME TAX** (Note 15) | | | |
| Current: | | | |
| Income | **202,565** | 103,059 | 20,939 |
| Final | **937** | 1,730 | 4,428 |
| | **203,502** | 104,789 | 25,367 |
| **NET LOSS** | **₱138,110,040** | ₱141,337,107 | ₱36,939,482 |
| **NET LOSS ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent | **₱136,684,062** | ₱138,451,572 | ₱36,939,482 |
| Non-controlling interests | **1,425,978** | 2,885,535 | – |
| | **₱138,110,040** | ₱141,337,107 | ₱36,939,482 |
| **Basic/Diluted Loss Per Share** (Note 16) | **₱0.1048** | ₱0.1073 | ₱0.0280 |

*See accompanying Notes to Consolidated Financial Statements.*

## INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.
## AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2012** | 2011 | 2010 |
| **NET LOSS** | **₱138,110,040** | ₱141,337,107 | ₱36,939,482 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Cumulative translation adjustment | **596,697** | 48,142 | – |
| **TOTAL COMPREHENSIVE LOSS** | **₱137,513,343** | ₱141,288,965 | ₱36,939,482 |
| **NET LOSS ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent | **₱136,087,365** | ₱138,403,430 | ₱36,939,482 |
| Non-controlling interests | **1,425,978** | 2,885,535 | – |
| | **₱137,513,343** | ₱141,288,965 | ₱36,939,482 |

*See accompanying Notes to Consolidated Financial Statements.*

# INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

| | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | **Capital stock** | **Retained earnings (deficit)** | **Cummulative translation adjustment** | **Total** | **Non-controlling interest** | **Total** |
| Balances at December 31, 2009 | ₱1,317,278,350 | ₱2,103,902 | ₱– | ₱1,319,382,252 | ₱– | ₱1,319,382,252 |
| Net loss for the year | – | (36,939,482) | – | (36,939,482) | – | (36,939,482) |
| Other comprehensive income | – | – | – | – | – | – |
| Total comprehensive loss | – | (36,939,482) | – | (36,939,482) | – | (36,939,482) |
| Balances at December 31, 2010 | ₱1,317,278,350 | (₱34,835,580) | ₱– | ₱1,282,442,770 | ₱– | ₱1,282,442,770 |
| | | | | | | |
| Balances at December 31, 2010 | ₱1,317,278,350 | (₱34,835,580) | ₱– | ₱1,282,442,770 | ₱– | ₱1,282,442,770 |
| Net loss for the year | – | (138,451,572) | – | (138,451,572) | (2,885,535) | (141,337,107) |
| Other comprehensive income | – | – | 48,142 | 48,142 | – | 48,142 |
| Total comprehensive income (loss) | – | (138,451,572) | 48,142 | (138,403,430) | (2,885,535) | (141,288,965) |
| Step-acquisition of an associate to a subsidiary | – | – | – | – | (817,879) | (817,879) |
| Balances at December 31, 2011 | ₱1,317,278,350 | (₱173,287,152) | ₱48,142 | ₱1,144,039,340 | (₱3,703,414) | ₱1,140,335,926 |
| | | | | | | |
| Balances at December 31, 2011 | ₱1,317,278,350 | (₱173,287,152) | ₱48,142 | ₱1,144,039,340 | (₱3,703,414) | ₱1,140,335,926 |
| Net loss for the year | – | (136,684,062) | – | (136,684,062) | (1,425,978) | (138,110,040) |
| Other comprehensive income | – | – | 596,697 | 596,697 | – | 596,697 |
| Total comprehensive income (loss) | – | (136,684,062) | 596,697 | (136,087,365) | (1,425,978) | (137,513,343) |
| **Balances at December 31, 2012** | **₱1,317,278,350** | **(₱309,971,214)** | **₱644,839** | **₱1,007,951,975** | **(₱5,129,392)** | **₱1,002,822,583** |

*See accompanying Notes to Consolidated Financial Statements*

## INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2012** | 2011 | 2010 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before income tax | **(₱137,906,538)** | (₱141,232,318) | (₱36,914,115) |
| Adjustments for: | | | |
| Interest expense | **38,785,247** | 21,376,850 | – |
| Depreciation and amortization (Note 9) | **6,952,885** | 4,671,570 | 466,775 |
| Impairment loss on goodwill (Note 7) | **3,821,331** | – | – |
| Equity in net losses of associates (Note 8) | **3,076,725** | 7,888,415 | 4,528,387 |
| Unrealized foreign exchange loss | **180,058** | – | – |
| Provision on impairment loss on receivables (Note 5) | **1,094,699** | 664,603 | – |
| Loss on remeasurement of previously held interest | – | 11,745,683 | – |
| Loss on disposal of property and equipment | – | 108,184 | – |
| Interest income | **(1,124,906)** | (1,851,205) | (22,140) |
| Operating loss before working capital changes | **(85,120,499)** | (96,628,218) | (31,941,093) |
| Decrease (increase) in: | | | |
| Trade and other receivables | **(16,357,068)** | 1,242,087 | (1,709,002) |
| Other current assets | **2,220,905** | (7,039,474) | (1,234,375) |
| Increase (decrease) in accounts payable and accrued expenses | **20,045,271** | (4,839,760) | 21,536,189 |
| Net cash used in operations | **(79,211,391)** | (107,265,365) | (13,348,281) |
| Interest received | **190,841** | 7,189 | 22,140 |
| Interest paid | **(246,076)** | – | – |
| Income taxes paid | **(69,728)** | (78,762) | (284,452) |
| Net cash flows used in operating activities | **(79,336,354)** | (107,336,938) | (13,610,593) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease (increase) in: | | | |
| Amounts owed by related parties | **(10,213,022)** | (25,721,430) | (5,071,017) |
| Other noncurrent assets | **(2,461,186)** | 1,670,698 | (430,417) |
| Advances to an associate | – | – | (5,000,000) |
| Deposits for future stock subscriptions (Note 8) | – | (15,715,348) | (6,000,000) |
| Net cash received on step acquisition to subsidiary (Note 7) | – | 41,884 | – |
| Acquisition of property and equipment (Notes 9 and 18) | **(6,745,427)** | (4,342,929) | (1,669,766) |
| Investments in associates (Note 7) | – | – | (26,000,000) |
| Net cash flows used in investing activities | **(19,419,635)** | (44,067,125) | (44,171,200) |
| **CASH FLOWS FROM A FINANCING ACTIVITIES** | | | |
| Increase in amounts owed to related parties | **56,764,634** | 152,257,153 | 55,697,233 |
| Proceeds from loan availment | **40,500,000** | – | – |
| Net cash flows from financing activities | **97,264,634** | 152,257,153 | 55,697,233 |
| **NET INCREASE (DECREASE) IN CASH** | **(1,491,355)** | 853,090 | (2,084,560) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | **(385)** | – | – |
| **CASH AT BEGINNING OF YEAR** | **2,958,892** | 2,105,802 | 4,190,362 |
| **CASH AT END OF YEAR** | **₱1,467,152** | ₱2,958,892 | ₱2,105,802 |

*See accompanying Notes to Consolidated Financial Statements.*

# 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 Conpany 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 he 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., Huwaei 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 businessess 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 Phillipines.

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 2$^{nd}$ Floor, Sterling Centre Building, Dela Rosa corner Esteban and Ormaza Streets, Legaspi Village, Makati City to Unit 5-I, 5$^{th}$ 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 Comprehensiv 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.

<u>Basis of Consolidation</u>

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

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| | Nature of Business | **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 of 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 of 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 as 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 lesee*
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 |
| | 9,523,633 |
| Liabilities: | |
| Trade and other payables | 3,915,031 |
| Other current liabilities | 8,087,022 |
| | 12,002,053 |
| Total identifiable net liabilities at fair value | (₱2,478,420) |

(Forward)

| | 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) |
| | 1,342,911 |
| Less total identifiable net liabilities at fair value | (2,478,420) |
| Goodwill arising from acquisition | ₱3,821,331 |

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 | ₱11,745,683 |

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 Thummob 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 | Transportation 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.

On November 08, 2012, the BOD of Velarde, Inc. has agreed to enter into an agreement with the Company for the deferment of accrual of interest starting November 2012. Thus, no interest were accrued starting November 2012. Interest expense amounted to ₱37,584,021 and ₱20,388,835 in 2012 and 2011, respectively. Outstanding accrued interest amounted to ₱59,903,586 and ₱21,376,850 as of December 31, 2012 and 2011, respectively.

Net amounts owed to Velarde, Inc. amounted to ₱272,746,632 and ₱206,292,451 as of December 31, 2012 and 2011, respectively.

| Related parties | Category | Amount | Amounts owed by related parties | Trade and other receivables | Amounts owed to related parties | Trade and other payables | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| ***Shareholders*** | | | | | | | | |
| **Velarde, Inc.** | **Advances 2012** | **₱66,454,181** | **₱–** | **₱–** | **₱272,746,632** | **₱–** | **On demand** | **Unsecured** |
| | 2011 | 152,944,662 | – | – | 206,292,451 | – | On demand | Unsecured |
| **GHI** | **Advances 2012** | **2,035,055** | **–** | **–** | **–** | **2,035,055** | **On demand** | **Unsecured** |
| | 2011 | – | – | – | – | – | On demand | Unsecured |
| **EII** | **Advances 2012** | **40,848** | **40,848** | **–** | **2,902,918** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | – | – | – | 2,902,918 | – | On demand | Unsecured |
| ***Affiliates*** | | | | | | | | |
| **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 |
| **KPSC** | **Advances 2012** | **(105,000)** | **752,470** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | 857,470 | 857,470 | – | – | – | On demand | Unsecured, no impairment |
| | **Services 2012** | **75,160,352** | **–** | **–** | **–** | **6,489,673** | **On demand** | **Unsecured** |
| | 2011 | 72,838,476 | – | – | – | 5,472,788 | On demand | Unsecured |
| **AIJC** | **Advances 2012** | **511,858** | **542,358** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | 30,500 | 30,500 | – | – | – | On demand | Unsecured, no impairment |
| **IBI** | **Advances 2012** | **–** | **15,567,752** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | – | 15,567,752 | – | – | – | On demand | Unsecured, no impairment |
| (Forward) | | | | | | | | |
| **IBI** | **Interest 2012** | **₱934,063** | **₱9,594,827** | **₱–** | **₱–** | **₱–** | **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 |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 934,065 | 8,660,764 | – | – | – | On demand | Unsecured, no impairment |
| **Holycow** | **Loans 2012** | **178,771** | **–** | **2,211,771** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | 2,033,000 | – | 2,033,000 | – | – | On demand | Unsecured, no impairment |
| | **Interest 2012** | **156,000** | **–** | **156,000** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | 104,000 | – | – | – | – | On demand | Unsecured, no impairment |
| *Associate* | | | | | | | | |
| **Softweb** | **Advances 2012** | **7,269,542** | **4,054,360** | **–** | **–** | **–** | **On demand** | **Unsecured** |
| | 2011 | 590,000 | 590,000 | – | 3,805,182 | – | On demand | Unsecured |
| | **Loans 2012** | **–** | **500,000** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | 500,000 | 500,000 | – | – | – | On demand | Unsecured, no impairment |
| | **Interest 2012** | **–** | **214,000** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2011 | 214,000 | 214,000 | – | – | – | 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 | Trade and other receivables | Amounts owed to related parties | Trade and other payables | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| | **Management fees** | | | | | | | |
| **Softweb** | **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** | | |
| Total | 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 |
| 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** |

**except government payables*

| | On demand | Within 1 year | More than 1 year | Total |
|---|---|---|---|---|
| **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 |

**except government payables*

| | On demand | Within 1 year | More than 1 year | Total |
|---|---|---|---|---|
| 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 |
| *Loans and receivables*: | | | | |
| 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 |
| *Other financial liabilities*: | | | | |
| 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 deploymnet 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 |

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

**INDEPENDENT AUDITORS' REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Information Capital Technology Ventures, Inc.
2nd Floor, Sterling Centre Building
Dela Rosa corner Esteban and Ormaza Streets
Legaspi Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Information Capital Technology Ventures, Inc. and its subsidiaries as at and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 26, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until March 14, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 3670038, January 2, 2013, Makati City

April 26, 2013

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**
**AND SUBSIDIARIES**
**INDEX TO FINANCIAL STATEMENTS**
**AND SUPPLEMENTARY SCHEDULES**

## INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**DECEMBER 31, 2012**

| | |
|---|---|
| Deficit, as adjusted, beginning* | (₱145,731,151) |
| Net income based on the face of the Audited Financial Statements | 137,980,015 |
| Deficit, as adjusted, ending | (₱283,711,166) |

**No adjustments for Deficit, beginning.*

## INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.
## SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
**DECEMBER 31, 2012**

The table below presents the list of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012:

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS**<br>**Effective as of December 31, 2012** | | **Adopted** | **Not Adopted** | **Not Applicable** |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | | | |
| **PFRS Practice Statement Management Commentary** | | | | |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Transition | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Financial Assets | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | Not early adopted | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | Not early adopted | |
| **PFRS 8** | Operating Segments | ✓ | | |
| **PFRS 9** | Financial Instruments | | Not early adopted | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | Not early adopted | |
| **PFRS 10** | Consolidated Financial Statements | | Not early adopted | |
| **PFRS 11** | Joint Arrangements | | Not early adopted | |
| **PFRS 12** | Disclosure of Interests in Other Entities | | Not early adopted | |
| **PFRS 13** | Fair Value Measurement | | Not early adopted | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | | | ✓ |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | | Not early adopted | |
| **PAS 2** | Inventories | ✓ | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Balance Sheet Date | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | ✓ |
| **PAS 19 (Amended)** | Employee Benefits | | Not early adopted | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27 (Amended)** | Separate Financial Statements | | Not early adopted | |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | | Not early adopted | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | | | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | Not early adopted | |
| **PAS 33** | Earnings per Share | ✓ | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | |
| **PAS 36** | Impairment of Assets | ✓ | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | ✓ | | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Forecast Intragroup Transactions | | | |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| **PAS 40** | Investment Property | | | ✓ |
| **PAS 41** | Agriculture | | | ✓ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | *Determining Whether an Arrangement Contains a Lease* | ✓ | | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* | | | ✓ |
| **IFRIC 7** | *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies* | | | ✓ |
| **IFRIC 8** | *Scope of PFRS 2* | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ |
| **IFRIC 11** | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-21** | Income Taxes - Recovery of Revalued Non-Depreciable Assets | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |