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COVER SHEET

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NOW CORPORATION (FORMERLY INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.)

(Company's full name)

UNIT 5-I, 5TH FLOOR, OPL BUILDING, 100 C. PALANCA ST. CORNER DELA ROSA AND GIL STREETS, LEGASPI VILLAGE, MAKATI CITY

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

ANGELINE L. MACASAET
Contact Person

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

1 2
Month

3 1
Day

SEC Form 17A
For Fiscal Year ending December 31, 2013
Form Type

0 6
Month

0 6
Day

Annual Meeting

2013
Fiscal Year

Secondary License Type, If Applicable

C F D
Dept. Requiring this doc.

Amended Articles

Number/Section

Total amount of Borrowings

73
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

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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, 2013**

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

4. Exact name of issuer as specified in its charter **NOW CORPORATION**

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

NOW Corporation (the "Company") 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 NOW Telecom Company, Inc., formerly known as Next Mobile, Inc. (NOW Telecom) and five controlling shareholders of NOW Telecom 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 NOW Telecom Shareholders) whereby existing shares of NOW Telecom owned by the NOW Telecom 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 NOW Telecom Shareholders acquired 97% equity interest of Cashrounds, while Cashrounds acquired 19% of NOW Telecom.

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.

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 NOW Telecom. 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 NOW Telecom, 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.

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 December 21, 2010, the Company 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. The Investment and Subscription Agreement with Thumbmob is subject to the confirmation by the Board of Directors of the Company.

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 NOW Telecom. 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 NOW Telecom's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NOW Telecom 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.

The Board of Directors and Stockholders of the Company approved the name change from Information Capital Technology Ventures, Inc. to Now Corporation on 2 July 2013 and 6 June 2013, respectively. On 16

August 2013 the SEC issued the Certificate of Filing of Amended Articles of Incorporation and the Certificate of Revision of the Title of Amended By-Laws certifying the said name change.

On December 27, 2013, the Company paid the amount of Php3,000,000.00 for the Company's subscription to 110,000 shares (at Php100.00 per share) on the proposed increase in the authorized capital stock of I-Resource from Php1,000,000.00 to Php12,000,000 or increase from 10,000 shares to 120,000 shares. The proposed increase in the authorized capital stock of i-Resource was approved by the SEC on April 2, 2014.

(2) Business of the Company

Pursuant to its new primary purpose, the Company 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 the Company 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.

Business Partners

NOW Telecom Company, Inc. ("NOW Telecom"), is a business partner which is in a unique position to meet the unabated increase in demands for high speed broadband connectivity of large and medium enterprises, government organizations, educational and medical institutions, financial institutions, multi-tenant/ multi-level commercial and residential buildings, clustered urban residential communities and special economic zones. This company is at the forefront in employing the latest state-of-the art wireless technologies to address the demands of clients for customized solutions yet cutting edge broadband technology.

The **International Business Machines Corporation ("IBM")**, is an American multinational technology and consulting corporation. Since establishing its presence in the Philippines in 1937, it has evolved to become the leader in information technology, providing hardware, software and IT-enabled services to both local and global clients. IBM is known for the quality of its products and services in a long-standing tradition of excellence, customer satisfaction, and commitment to business ethics and integrity.

The **Asian Institute of Journalism and Communication, Inc. ("AIJC")**, is a Knowledge Management Center organized in 1980 as a graduate school of journalism, founded on the philosophy that communication is a vital development resource to be used to advance the common good. It has a solid record of more than 30 years in the communication field – as a graduate school for communicators and journalists, a center for continuing education in journalism, communication, and knowledge management, and a research and consulting firm advocating policies and implementing programs and projects that address development issues and concerns both at the levels of national decision making and community-based initiatives.

Brands

NowPlanet.TV ("NowPlanet.TV") is the digital media brand of the Company. 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, Inc. (AIJC).

WebsiteExpress.Biz ("WebsiteExpress.Biz") is the first ever postpaid website development services provider in the Philippines operating at a subscription model, providing subscribers affordable, professional websites in as fast as 5 days. Subscription is through a postpaid billing method where a user enters into a contract lasting 12, 24, 36, 48 & 60 months. Plans start as low as ₱999/month. The Company has outfitted WebsiteExpress.Biz with a physical store, built for the convenience of subscribers. In September 2013, the Company opened its first outlet in Shangri-La Plaza.

Products and Services

The Company, its subsidiaries, and affiliates are now at the forefront of bringing cutting-edge technologies in its chosen markets, primarily the enterprise and SMEs in the US, Japan and the Philippines:

1. **Broadband Telecom Services** – In partnership with NOW Telecom, clients will have access to economically competitive broadband bandwidth resources with high availability, robust security and guaranteed QoS.

2. **Communications Network Services** - In partnership with NOW Telecom, clients will have access to the usual cellular services as well as professional radio services such group communication, field workforce management services (dispatching) and data services through Trunk Radios (TETRA).

3. **IT Infrastructure Services** – In partnership Softlayer (an IBM Company), the Company resells the data space of Softlayer and the beta program of BlueMix, the new IBM Cloud platform as a service. BlueMix is an enterprise-grade sandbox built on Softlayer infrastructure, ready for developers to hit the ground running and get their hands dirty.

4. **IBM Smartcloud Services** – In partnership with IBM, the Company resells essential tools for social business in the cloud: enterprise-grade file sharing, communities, instant messaging, web meetings, user profiles, mail, and calendar. These IT solutions are designed to let clients work seamlessly with people inside and outside their organization. The Smartlcloud services are competitively-priced, security-rich, reliable, flexible and extensible.

5. **Collaboration Software Solutions** - In partnership with IBM, the Company provides a full range of IBM Collaboration Solutions (ICS) Products. The Company develops solutions and applications on Lotus (xPages, Notes and Notes Web) platform.

6. **Human Resource Management System** – through Softweb Consulting, Inc., Human Resource Management System is available as an end-to-end solution that covers the entire employee engagement cycle - from recruitment to retirement, leading to increased efficiency, enhanced productivity and reduced operational costs.

7. **Information Technology Resource Management Outsourcing** –

    a. through i-Resource Consulting International, Inc., enterprises are assured of available skills for short, long-term and mission-critical projects by Resource Augmentation, Contract to Hire and Train and Deployment.

    b. through i-Professional Search Network, Inc., enterprises may outsource the recruitment of IT Professionals for regular placement.

8. **Managed Services Outsourcing** – through i-Resource Consulting International, Inc., clients refocus on their core business activities while outsourcing to technology experts some parts of their business process, such as Testing & Quality Assurance Services, Applications Development, Applications Maintenance, Disaster Recovery, Desktop Services, Technology Help Desk Services, Call Center Help Desk Services and Network Services (Broadband Internet). Managed Services Outsourcing is a program that allows managing regular or critical projects based on targeted outcomes and service level agreements.

9. **Social Journalism** – in partnership with the Asian Institute of Journalism and Communication, Inc., the Company is able to cover important news and events and deliver them through mobile phones, tablets, laptops, desktops and smart TVs.

10. **Live Streaming** – through the Company's digital media platform branded as NowPlanet.TV, the Company offers clients live streaming technology in the internet. Clients' events can be broadcasted globally and received by millions of people in their mobile devices through state-of-the-art digital video and uplink technologies.

11. **Website Development** – this service helps clients achieve an online presence to generate highly interactive and engaging relationships with the clients' end-customers.

    The Company has established the brand WebsiteExpress.Biz as its vehicle to delivering world-class and globally compliant websites. WebsiteExpress.Biz operates at a subscription model, providing subscribers affordable, professional websites in as fast as 5 days. It is a one-stop shop – development, domain, hosting, SSL certificates, shopping cart, email and more all in one place, eliminating the need to deal with multiple service providers.

12. **Mobile Applications Development** – through this service, the Company extends customer engagement and interactivity with mobile applications such as cinematic 3D, game-based learning, rich media, HTML5 animation and gesture triggers, which can be easily customized and deployed. The Company has successfully developed the Yellow Cab Loyalty App.

13. **Telematics** – a Mobile Resource Management Solution which maximizes the use of today's mobile devices to streamline an organization's process and reporting. Through telematics, information captured in any place accessible via telco service providers can be made available for management review in real time.

14. **Social Mobile Customer Relationship Management (SOMO CRM)** – this product leverages in today's hottest trend in technology to identify, interact and support new and existing customers. Combined with the basic features of a standard CRM system, SOMO CRM enables organizations to streamline their processes from lead generation to fulfillment.

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 live streaming 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. The Company's 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.

Suppliers

The Company and its subsidiaries have a broad range of suppliers, both local and foreign.

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 the Company's 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)

Transactions With and/or Dependence on Related Parties

All transactions with related companies are done on market terms and arm's length basis. See Note 11 (Related Party Transaction) of the Notes to the Consolidated Financial Statements.

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

The Philippine Intellectual Property Office ("IPO") issued on June 28, 2012 and July 5, 2012 a Certificate of Registration for the trademarks J-Span and NowPlanet.TV, respectively. The IPO also issued on 28 February 2013 a Certificate of Registration for the trademark Social Canvass. These registrations shall be effective for 10 years.

As of December 31, 2013, the Company has four (4) other trademark applications pending with the Philippine Intellectual Property Office.

On 16 August 2013, a Verified Opposition was filed by Starbucks (HK) Limited against the application for trademark registration of a variation of the mark NOWPLANET.TV AND DESIGN. The case is under mediation.

Research and Development Activities

. In the year 2013, the Company spent the amount of Php3.4K on research and development activities, which is .0044 % of its revenues. For the year 2012 and 2011, the Company did not allocate an amount for research and development activities.

Governmental Regulations and Environmental Laws

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

The Company and its subsidiaries have not experienced any environmental issues or problems.

Employees

As of December 31, 2013, 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 Php11.16Million. The Company purchased transportation equipment totaling P15.17M(Note 9) 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.

On April 16, 2013, the Company renewed its lease agreement covering its principal office for another one (1) year period, renewable upon mutual agreement of the parties. On March 13, 2014, the Company informed the lessor of the former's interest to renew the lease agreement to cover the period commencing on April 1, 2014 up to March 31, 2015, renewable subject to mutual agreement of the parties, for a monthly rental rate of Php18,654.71 (excluding EVAT). Signing of the contract of lease has been scheduled by the lessor this April 2014.

Item 3. Legal Proceedings

On 20 February 2013, the Company filed on application for the registration of the variation of the mark NOWPLANET.TV AND DESIGN. On 16 August 2013, the Company received a Verified Opposition by Starbucks (HK) Limited, a foreign corporation organized in Hongkong. The opposer, Starbucks (HK) Limited, seeks for the Company's trademark registration to be disallowed and rejected based on the following grounds:

1. the company's mark is identical with or nearly resembles opposer's NOW TV & Device, with an earlier filing date and priority date;
2. Opposer's mark NOW TV & DEVICE has a protected goodwill over respondent's mark;
3. Opposer's mark is well known internationally and in the Philippines, and has acquired distinctiveness that requires protection.

The case is currently under mediation before the Bureau of Legal Affairs, Intellectual Property Case.

Except for the opposition filed by Starbucks (HK) Limited against the application for trademark registration of a variation of the mark NOWPLANET.TV, there are no other legal proceedings against the Company. The Company is not a party to, and its properties are not subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company's financial position or result of operations.

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 2013.

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 2014:

Quarter/Period	High	Low	Average
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
2nd Quarter ending 30 June 2013	.450	.360	.417
3rd Quarter ending 30 Sept 2013	.465	.355	.413
4th Quarter ending 31 Dec 2013	.430	.365	.387
1st Quarter ending 31 March 2014	.405	.360	.373

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 NOW Telecom 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 NOW Telecom 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 NOW Telecom 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 NOW Telecom will be acquired by the Company in the future.

The amendment in the MOA was approved by the stockholders such that the shareholders of NOW Telecom will transfer to the Company shares of NOW Telecom in the aggregate number of 2,656,580 shares constituting 19% equity interest in NOW Telecom in exchange for new shares of the Company with an aggregate value of Php1,289,278,350.00 for 19% of NOW Telecom, or effectively at a price of Php485.315085.00 per NOW Telecom 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 NOW Telecom 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, 2013, 2012 and 2011 are as follows:

	2013		2012		2011	
	Number of Shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of 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**
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 73 Stockholders of Common Stock as of December 31, 2013 and 71 Stockholders of Common Stock as of 31 March 2014. The Top Twenty (20) Holders of Common Stock as of December 31, 2013 are as follows:

Name	Nationality	No. of shares	Percentage
Top Mega Enterprises Limited	Chinese	377,035,951	28.62%
PCD Nominee Corp. – Filipino	Filipino	274,066,719	20.80%
Gamboa Holdings, Inc.	Filipino	249,388,482	18.93%
Emerald Investments, Inc.	Filipino	223,460,184	16.96%
Foodcamp Industries & Marketing, Inc.	Filipino	91,872,743	6.97%
Joyce Link Holdings, Limited	British	86,458,552	6.56%
PCD Nominee Corp – Non-Filipino	Foreign	11,517,000	.87%
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	212,174	.04%
TOTAL		**1,317,278,350**	**100.00%**

Dividends

No cash dividends were declared in the past two (2) 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 2014

i-Resource Consulting International, Inc. aims to increase its revenue by promoting other services such as Managed Services and Train and Deploy. These services are expected to contribute to significant growth in the number of deployed personnel, translating in turn to continuous and long-term recurring profit generating activities for the said company.

i-Professional Search Network, Inc. is currently applying for all necessary government permits in order for it to operate and offer its search and select service. The increasing demand for direct placement service is expected to bring considerable revenue to the company.

In partnership with AIJC, the Company is developing the K-12 Channel, which is a platform for clarifying issues and concerns about the K to 12 Basic Education Program. The K-12 Channel is about enabling digital learners to learn to optimize technology and create for themselves opportunities for entrepreneurship, employment, or higher educational pursuit. It will also retool teachers to become effective digital learning facilitators by using new media technologies for innovative and creative pedagogies. The K-12 Channel will be launched in the fourth quarter of 2014. Among others, the K-12 Channel will:

1. Inform and educate on policies, objectives, principles, features of the K to 12 Program
2. Clarify issues and concerns
3. Dialogue on relevant issues and concerns
4. Provide continuing updates; accomplishment/progress reports
5. Demonstrate best practices on school management, teaching, learning materials development, assessment, and others.

For 2014, the Company is focusing on the brand development of WebsiteExpress, with the objective of improving sales conversion from 1.6% to 10%. To achieve this, sales funnel must be improved and shortened through product and pricing restructuring as well as development of standard operating procedures. To manage operating expenses, marketing milestones and activities that support the above key tactics, will be limited to (1.) Internet Marketing via SEO, SEM, email and social media initiatives and (2.) Guerrilla marketing through localised on-ground promotions and brand advocacy program via digital influencers. Expansion efforts will be to increase 2-3 kiosks. Short term sales programs such as door-to-door direct sales, a reseller program and incentive programs will be utilized to maximize sales while the influx of leads is still in its infancy stages.

The Digital Media Division of the Company also aims to expand its reach of new clients by launching aggressive marketing campaigns, both offline and online. The group shall also focus on keeping existing clients boosting its group's profitability while maintaining a lean team of developers and designers.

Key Performance Indicators

Profitability	Profit Margin	11.95%
	Return on Assets	-6.04%
	Return on Equity	-9.52%
	Book Value per share	0.6950
	Earnings per share	-0.0662
Liquidity	Current Ratio	0.8547
Debt to Equity	Debt to Equity Ratio	0.5590
Asset to Equity	Asset to Equity Ratio	1.5773
Interest	Interest Rate Coverage Ratio	1.2728

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
Asset to Equity Ratio = Total Assets / Total Stockholders' Equity
Interest rate coverage ratio = EBIT / Interest Expense

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 increase of Php33.56 Million for the Cost of services for 2013 in the amount of Php70.85 Million compared with 2012 cost of services in the amount of Php37.29 Million as reflected in the financial statements. This change is due to the fact that the company reclassified the cost of outside services from the operating expenses that are directly related to the revenue along with the significant increase in software licenses cost.

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, 2014. On 6 March 2014, the Company filed its application to renew its registration with 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 NOW Telecom, 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 NOW Telecom'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 NOW Telecom'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 2013 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 Php220,000.00 for 2013 Php197,401.12 for 2012 and Php110,000 for 2011.

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

<u>Year 2013</u>

Total Consolidated revenues generated in 2013 amounted to Php79.32 Million or 59% higher than last year's revenue of Php50.14M. The increase in Revenue was brought about by the following:

1. Revenues from IT products and services of Php38.95M was increased by 57% or Php14.15M from last year's revenue of Php24.8M;
2. Revenues from IT resource augmentation of Php38.32M was increased by 102% or Php19.32M from last year's revenue of Php19.0M;
3. Management fees were the same by Php5.04M both in 2013 and 2012; and,
4. Interest Income derived from loans and minimal bank interest of Php471.82K was decreased by 58% or Php653.09K from last year's interest of Php1.12M

Operating expenses decreased by 11% or Php21.4M in 2013, the decrease was largely attributed to outside services from Php56.2M to Php25.52M due cost cutting measures for development activities to support its thrust to focus on providing high value ICT services.. Other decreases in operating expenses include

Communications at Php2.14M, Professional fees at Php1.41M, transportation and travel at Php4.94M and Advertising and promotion at Php3.39M. The equity in net losses of associates share at Php3.1M, impairment loss on goodwill on Softrigger investment at Php3.8M and Commision of Php607K as charged in 2012 were of zero amount in 2013.

Total Net income (loss) as of December 2013 is (Php 87.2 Million) or Php50.9 Million less compared with last year of (Php138.1 Million). This year's increase in revenue of 33.565M and the decrease of cost and expenses by 21.399M contributed the improved bottom line in 2013.

As of December 2013, the total consolidated assets of the Company stood at Php1.445 Billion compared with last year of Php1.428 Billion or an increase by Php16 Million. Current assets increased by Php22.26M or 24% were due to the increase in Cash balance by Php8.19M, trade receivables by Php11.55M, increase in receivables by related parties by Php2.7M, while other current assets decreased by Php149.9K. . Non-current assets decreased by .041% or Php5.5M due to depreciation of Property and equipment.

Current liabilities decreased by Php14.23M were brought about by the reclassification from current to a noncurrent liability on the loan secured from a commercial bank amounting to Php40.5M which was used to finance the operational requirements of the Company. Noncurrent liabilities increased by 43% or Php117M due to reclassification of the aforementioned commercial bank loan from current liabilities and the increase in amounts owed from Velarde, Inc. in the amount of Php73.27M which includes an accrued interest of Php36.38M derived when the present value of the loan was determined since it became noninterest bearing when both parties agreed for the deferment on the accrual and payment of interest starting November 2012 but shall not exceed three (3) years.

Obligation under finance lease was likewise decreased from Php3.6M in 2012 to Php675K in 2013 brought about by regular payments made to transportation vehicles under finance lease.

On December 9, 2013, the bank has approved the conversion of the short-term loans in the amount of Php44.5M into a two-year term loan. The principal balance of the loan is payable on January 19, 2016.

Total Consolidated Assets stood at Php1.445 Billion, Liabilities at Php529 Million and Equity at Php916M Billion.

<u>Year 2012</u>

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:

5. Revenues from IT products and services of Php24.8M was increased by 15% or Php3.1M from last year's revenue of Php21.7M;
6. 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,
7. 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 the Company 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. The Company 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 the Company 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, the Company 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 NOW Telecom 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. On August 31, 2012, both parties agreed to extend the maturity of the loan up to August 30, 2015, with the interest rate further reduced to 3% per annum starting January 1, 2013. 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.

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 64, 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 currently the President of NOW Telecom Company, Inc. (formerly Next Mobile, Inc.) 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 82, 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 50, 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 is the Vice-Chairman and the Chairman of the Executive Committee of NOW Telecom Company, Inc. (formerly 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.

Jose S. Alejandro*, age 79, 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 NOW Telecom Company, Inc. (formerly Next Mobile, Inc.) since 1989 and he now serves as the Board's 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. Ordoñez*, age 60, 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 60, 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.

Vicente Martin W. Araneta III*, age 50, 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 50, 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.

Angeline L. Macasaet, *age 41, 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.

Rodrigo H. Nepomuceno, *46, Filipino, Director.* Mr. Nepomuceno is a corporate executive with regional management experience and a lawyer with expertise in corporate communications, marketing, advertising, client management, event management, branding, sales, PR, and law -- with almost 17 years of experience in Marketing, Corporate Communications, Sales/Business Development, Events Management, PR, Media, and Advertising, and around 4 years in Corporate Law (Intellectual Property and Tax). He currently owns and manages his own marketing communications company, Big Big Big, Inc. From January 2008 to September 2012, he was the Regional Vice President for Southeast Asia for Marketing Communications firm, TNBT Far East Communications, Pte. Ltd, a holding company based in Singapore, which has 6 marketing communications agencies across Southeast Asia. He was the Managing Director for TNBT's marketing communications agency in the Philippines, Crush Communications, Inc. (Philippines). He is the Co-Founder and a Director of Perth Lending Corporation and HWRU, Inc. He is also the Country Representative for Regional & Global sales (Phils) for Discovery Networks Asia Pacific. In 2005, Mr. Nepomuceno served as Director-Advertising Sales & Corporate Affairs of MTV Philippines (Music Source, Inc.). He obtained his Bachelor of Science in Management from Ateneo de Manila University and Juris Doctor in Law from Ateneo College of Law.

Marlou Buenafe Ubano, *41 years old, Filipino, Independent Director.* Atty. Ubano was nominated to this position for the 6 June 2013 Annual Stockholders' Meeting. Atty. Ubano has been in practice of law for fifteen years. He is the Founding Partner of the Ubano Sianghio & Lozada Law Offices which was established in June 2002. He is currently a Governor of Integrated Bar of the Philippines – Western Visayas Region. He served as Assistant Secretary for Legal Affairs of the Philippine Department of Transportation and Communications from 2011 to 2013. He was the Commissioner of the Commission on Bar Discipline, Integrated Bar of the Philippines from 2005 to 2007. He also served as President of the Integrated Bar of the Philippines - Capiz Chapter from 2007 to 2009 and again in 2011, and as Deputy Governor of the Integrated Bar of the Philippines – Western

Visayas Region from 2011 to 2013. Atty. Ubano was awarded the Presidential Plaque of Merit from the IBP National President in 2007, and a Plaque of Recognition as the Most Outstanding IBP Capiz President in 2009. Atty. Ubano is a Member of the Asean Law Association and the Intellectual Property Association of the Phils., Inc. He obtained his Bachelor's Degree in Law and Political Science in the University of the Philippines.

Vicente I. Peñanueva, *age 50, Filipino, Acting Chief Finance Officer.* He was elected by the Company's Board of Directors as Acting Chief Financial Officer on March 12, 2014. Mr. Peñanueva brings to the company more than 27 years experience in Corporate Finance, Controllership, Audit and Accounting. Before he joined the Company, he was the Finance and Accounting Manager of Aruze Global Shared Services and was In-charge of Corporate Accounting and Reporting of 7 companies. From 2012 to 2013, he was the Accounting Manager of Century Peak Metals Holding Corporation, also a publicly-listed company. He was the Accounting Manager of Great Image Services Corporation from 2011 to 2012 and was also Senior Accounting Manger of Universal Leaf Philippines, Inc. for 14 years. Mr. Peñanueva is a Certified Public Accountant. He graduated from Ateneo de Davao University in 1985.

Independent Directors

Atty. Marlou B. Ubano 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)
Florangel Z. Rosario-Braid	-	Vice Chairman of the Board (see above)
Mel V. Velarde	-	President (see above)
Angeline L. Macasaet	-	Corporate Secretary (see above)
Patricio S. Carlos	-	Treasurer (see above)
Vicente I. Peñanueva	-	Acting Chief Finance Officer (see above)

Non-executive Officers

D. Enrique O. Co, *age 46, 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

None.

Involvement in Certain Legal Proceeding

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director or any member of senior management of the Company:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
(c) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

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 (2014) are as follows:

ACTUAL				
			2013	2012
	COMPENSATION	OTHERS	TOTAL	
A. Five (5) most highly compensated Executive Officers	13,961,782.92	9,000.00	13,970,782.92	19,126,867.00
All directors and executive officers as a group unnamed	4,185,198.52	30,000.00	4,215,198.52	6,047,167.00

Projected 2014			
	COMPENSATION	OTHERS	TOTAL
A. Five (5) most highly compensated Executive Officers	12,201,620.04	9,000.00	12,210,620.04
All directors and executive officers as a group unnamed	1,396,620.36	27,000.00	1,423,620.36

The following are the 5 highest compensated directors / executive officers of the Company: 1. Thomas G. Aquino, 2. Mel V. Velarde, 3. Angeline L. Macasaet, 4. Patricio S. Carlos. 5. Eric Cornelio T. Tibayan

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, 2013. 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, 2013)

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 11/F Fortune House 61 Connaught Road Central, Hong Kong	Direct	Chinese	377,035,951	28.62%
Common	PDC Nominee Corp. – Filipino	Direct	Filipino	274,066,719	20.80%
Common	Gamboa Holdings, Inc. Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	249,388,482	18.93%
Common	Emerald Investments, Inc. Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	223,460,184	16.96%
Common	Foodcamp Industries & Marketing, Inc. Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	91,872,743	6.97%
Common	Joyce Link Holdings, Limited 11/F Fortune House 61 Connaught Road Central, Hong Kong	Direct	British	86,458,552	6.56%

Security Ownership of Directors and Management as of December 31, 2013

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	Florangel Z. Rosario-Braid	1 (Direct)	Filipino	<.01
Common	Mel V. Velarde	10 (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	Marlou B. Ubano	1 (Direct)	Filipino	<.01
Common	Rodrigo Joaquin H. Nepomuceno	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	
			2013	2012	2013	2012
IMX Broadband, Inc.	Associate	Loans & receivables	25,162,579	25,162,579		
		Interest income			467,033	1,090,065
Gamboa Holding Inc.		Payables	2,035,055	2,035,055		
Emerald Investments, Inc.	Stockholder	Payables	40,848	2,902,918		
NOW Telecom Company, Inc. (formerly Next Mobile, Inc.)	Associate	Receivable	18,096,538	18,710,022		
		Payable	242,737	45,241		
		Investment	1,289,278,350	1,289,278,350		
Velarde, Inc.	Stockholder	Payables	332,249,310	272,746,632		
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	6,921,104	4,054,360		
		Payables	1,696,240	0		
		Management Fee			4,800,000	4,800,000

Softrigger Interactive, Inc.	Associate	Investments	0	13,906,473		
		Loans Receivable	4,624,283	6,797,832		
		Receivable	2,331,659	2,173,549		
Holy Cow Animation, Inc.	Associate	Deposit for Future Subscription	6,000,000	6,000,000		
		Loans Receivable	2,211,771	2,211,771		
		Receivable	0	1,633,683		
		Investment	1,370,480	1,370,480		
IResource	Associate	Receivable	10,029,936	3,391,277		
		Investment	3,250,000	250,000		
iProfessional	Associate	Investment	499,500	499,500		
		Payables	450,000	450,000		
ThumbMob	Associate	Investment	6,422,500	14,344,868		
Porteon	Associate	Investment	250,000	250,000		
		Loan Receivable	2,160,300	2,160,300		
JSIT	Associate	Receivable	4,644,684	3,723,956		
		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 NOW Telecom Company, Inc., formerly Next Mobile, Inc., (NOW Telecom) to the Company's clients for a period of three (3) years until May 2008. In consideration thereof, the Company billed NOW Telecom P5.0 million in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NOW Telecom'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 NOW Telecom. In 2006, the Company billed NOW Telecom 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 – CORPORATE GOVERNANCE

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.

On 19 December 2013, the Board adopted and ratified the Audit and Risk Committee Charter in accordance with SEC Memorandum Circular No. 4, Series of 2012.

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 2013	Summary of the attendance of the members of the Board of Directors during board meetings held for the year 2011.
22 January 2013	Certification of the Company's compliance with the requirements of the Revised Manual on Corporate Governance for the year 2012
13 March 2013	Regular Meeting of the Company's Board of Directors wherein the Board approved the following: 1. Setting of record date on 30 April 2013 for the Company's annual stockholders meeting on 6 June 2013 2. Grant of delegated authority to the Chairman and President to approve the 2012 Audited Financial Statements of the Company as prepared by its external auditors
22 April 2013	Approval of application for trademark registration "J-Span and Device" and "Nowplaent.tv and design" effective for 10 years.
6 June 2013	Annual Meeting of the Stockholders held on 6 June 2013; Approval of the Amendment of the Articles of Incorporation of the company reflecting a change of corporate name from Information Capital Technology Ventures, Inc. to NOW Corporation
2 July 2013	Joint Organizational and Regular Meeting of the Company's Board of Directors wherein the Board approved the Amendment of the Articles of Incorporation of the company reflecting a change of corporate name from Information Capital Technology Ventures, Inc. to NOW

	Corporation.
27 August 2013	SEC issuance of the Certificate of Filing of Amended Articles of Incorporation and Certificate of Revision of title of Amended By-Laws to reflect the change in corporate name to NOW Corporation.
18 September 2013	Change in official website from www.ictvglobal.com to www.now-corp.com and official email address to info@now-corp.com effective 20 September 2013.
19 December 2013	Regular Meeting of the Company's Board of Directors wherein the Board ratified the Audit and Risk Committee Charter in compliance with SEC Memorandum Circular No. 4, Series of 2012.

Quarterly Financial Reports (Form 17-Q) were submitted to the SEC for the quarter ending March, June and September 2013 on May 15 (SEC Form 17-Q for 1st Quarter), August 16 (SEC Form 17-Q for 2nd Quarter), and November 14 (SEC Form 17-Q for 3rd Quarter).

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 Makati City on 30 April 2014.

By:

MEL V. VELARDE
President

VICENTE I. PEÑANUEVA
Acting Chief Finance Officer

ANGELINE L. MACASAET
Corporate Secretary/ Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 3 0 2014 day of April 2014 affiants exhibiting to me their respective Tax Identification Numbers, as follows:

NAMES	Competent Evidence of Identity		Expiry Date
Mel V. Velarde	Philippine Passport No.	EC0179707	30 January 2019
Vicente I. Peñanueva	Philhealth No.	19-089347195-6	
Angeline L. Macasaet	Philippine Passport No.	EB7716586	21 March 2018

Doc. No. 147;
Page No. 31;
Book. No. 79;
Series of 2014.

ATTY. ROBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225542, Jan. 02, 2014-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

COVER SHEET

A1996-00179
SEC Registration Number

NOW CORPORATION (formerly 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 06
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

73
Total No. of Stockholders

₱48.2 million
Domestic

Not Applicable
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.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
NOW Corporation
(Formerly Information Capital Technology Ventures, Inc.)
and Subsidiaries
Unit 5-I, 5th Floor, OPL Building
100 C. Palanca Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of NOW Corporation (formerly Information Capital Technology Ventures, Inc.) and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, 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, 2013 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NOW Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 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. 4225232, January 2, 2014, Makati City

April 28, 2014

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash	**₱9,655,786**	₱1,467,152
Trade and other receivables (Note 5)	**44,994,632**	33,444,719
Amounts owed by related parties (Note 11)	**54,811,963**	52,137,222
Other current assets (Note 6)	**5,599,515**	5,749,482
Total Current Assets	**115,061,896**	92,798,575
Noncurrent Assets		
Investments and advances (Note 8)	**1,294,278,350**	1,294,278,350
Property and equipment - net (Note 9)	**11,156,581**	16,552,657
Other noncurrent assets - net of accumulated amortization of computer software amounting to ₱667,991 and ₱395,041 as of December 31, 2013 and 2012, respectively (Notes 7 and 8)	**24,367,873**	24,485,434
Total Noncurrent Assets	**1,329,802,804**	1,335,316,441
TOTAL ASSETS	**₱1,444,864,700**	₱1,428,115,016
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 13)	**₱–**	₱40,500,000
Current portion of obligations under finance lease (Note 12)	**3,008,471**	3,076,625
Accounts payable and accrued expenses (Note 10)	**126,779,997**	102,336,932
Amounts owed to related parties (Note 11)	**4,841,895**	2,948,339
Total Current Liabilities	**134,630,363**	148,861,896
Noncurrent Liabilities		
Loans payable (Note 13)	**44,500,000**	–
Obligations under finance lease - net of current portion (Note 12)	**675,433**	3,683,905
Amounts owed to related parties (Note 11)	**349,023,354**	272,746,632
Total Noncurrent Liabilities	**394,198,787**	276,430,537
Equity Attributable to Equity Holders of the Parent		
Common 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	**(397,204,892)**	(309,971,214)
Cumulative translation adjustment (Note 2)	**1,091,857**	644,839
	921,165,315	1,007,951,975
Non-controlling Interest	**(5,129,765)**	(5,129,392)
Total Equity	**916,035,550**	1,002,822,583
TOTAL LIABILITIES AND EQUITY	**₱1,444,864,700**	₱1,428,115,016

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2013	2012	2011
REVENUES			
Service fees	**₱53,320,073**	₱25,910,627	₱25,040,818
Sales	**20,486,141**	17,939,156	–
Marketing, management and consultancy fees (Note 11)	**5,040,000**	5,040,000	240,000
Interest income (Note 11)	**471,820**	1,124,906	1,851,205
	79,318,034	50,014,689	27,132,023
COST AND EXPENSES			
Cost of services (Note 11)	**70,853,193**	37,288,755	27,175,272
Interest and other charges (Notes 11 and 13)	**38,369,677**	38,785,247	21,376,850
Outside services (Note 11)	**25,517,320**	56,202,154	59,185,697
Depreciation and amortization (Note 9)	**6,147,237**	6,952,885	4,671,570
Communication	**5,265,685**	7,400,707	2,567,580
Light and water	**4,055,322**	3,758,867	1,750,492
Professional fees	**3,912,100**	5,321,818	9,607,028
Rental (Note 11)	**3,444,057**	3,690,910	5,464,817
Entertainment, amusement and recreation	**1,469,591**	3,101,913	2,371,250
Transportation and travel	**1,448,133**	6,386,036	5,219,019
Advertising and promotion	**1,228,900**	4,614,624	436,691
Provision on impairment loss on receivables (Note 5)	**888,958**	1,094,699	664,603
Salaries and other employee benefits	**796,159**	916,544	810,152
Taxes and licenses	**727,802**	460,506	749,685
Insurance	**609,567**	407,283	109,300
Dues and subscription	**533,430**	1,084,446	1,203,013
Office supplies	**347,884**	891,168	1,239,951
Foreign exchange losses	**218,203**	230,396	341,424
Repairs and maintenance	**171,508**	349,653	343,372
Directors' fees	**39,000**	37,725	46,500
Training and development	**22,625**	705,731	680,822
Research and development costs	**3,484**	–	–
Impairment loss on goodwill (Note 7)	–	3,821,331	–
Equity in net losses of associates (Note 8)	–	3,076,725	7,888,415
Commission	–	607,101	1,434,805
Loss on remeasurement of previously held interest (Note 7)	–	–	11,745,683
Others	**452,955**	734,003	1,280,350
	166,522,790	187,921,227	168,364,341
LOSS BEFORE INCOME TAX	**87,204,756**	137,906,538	141,232,318
PROVISION FOR INCOME TAX (Note 15)			
Current:			
Income	**28,816**	202,565	103,059
Final	**479**	937	1,730
	29,295	203,502	104,789
NET LOSS	**₱87,234,051**	₱138,110,040	₱141,337,107
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱87,233,678**	₱136,684,062	₱138,451,572
Non-controlling interests	**373**	1,425,978	2,885,535
	₱87,234,051	₱138,110,040	₱141,337,107
Basic/Diluted Loss Per Share (Note 16)	**₱0.0662**	₱0.1048	₱0.1073

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012	2011
NET LOSS	**₱87,234,051**	₱138,110,040	₱141,337,107
OTHER COMPREHENSIVE INCOME			
Item that will be reclassified to profit or loss			
Cumulative translation adjustment (Note 2)	**(447,018)**	(596,697)	(48,142)
TOTAL COMPREHENSIVE LOSS	**₱86,787,033**	₱137,513,343	₱141,288,965
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱86,786,660**	₱136,087,365	₱138,403,430
Non-controlling interests	**373**	1,425,978	2,885,535
	₱86,787,033	₱137,513,343	₱141,288,965

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Attributable to Equity Holders of the Parent					
	Common Stock	Deficit	Cumulative Translation Adjustment	Total	Non-controlling Interest	Total
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 (Note 7)	–	–	–	–	(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
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
Net loss for the year	–	(87,233,678)	–	(87,233,678)	(373)	(87,234,051)
Other comprehensive income	–	–	447,018	447,018	–	447,018
Total comprehensive income (loss)	–	(87,233,678)	447,018	(86,786,660)	(373)	(86,787,033)
Balances at December 31, 2013	**₱1,317,278,350**	**(₱397,204,892)**	**₱1,091,857**	**₱921,165,315**	**(₱5,129,765)**	**₱916,035,550**

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱87,204,756)**	(₱137,906,538)	(₱141,232,318)
Adjustments for:			
Interest and other charges (Notes11 and 13)	**38,369,677**	38,785,247	21,376,850
Depreciation and amortization (Note 9)	**6,147,236**	6,952,885	4,671,570
Provision on impairment loss on receivables (Note 5)	**888,958**	1,094,699	664,603
Unrealized foreign exchange loss	**262,505**	180,058	–
Loss on disposal of property and equipment	**50,024**	–	108,184
Interest income	**(4,787)**	(1,124,906)	(1,851,205)
Impairment loss on goodwill (Note 7)	–	3,821,331	–
Equity in net losses of associates (Note 8)	–	3,076,725	7,888,415
Loss on remeasurement of previously held interest	–	–	11,745,683
Operating loss before working capital changes	**(41,491,143)**	(85,120,499)	(96,628,218)
Decrease (increase) in:			
Trade and other receivables	**(12,350,699)**	(16,357,068)	1,242,087
Other current assets	**150,446**	2,220,905	(7,039,474)
Increase (decrease) in accounts payable and accrued expenses	**24,360,590**	20,045,271	(4,839,760)
Net cash used in operations	**(29,330,806)**	(79,211,391)	(107,265,365)
Interest received	**4,787**	190,841	7,189
Income taxes paid	**(3,842)**	(69,728)	(78,762)
Interest paid	**(1,989,110)**	(246,076)	–
Net cash flows used in operating activities	**(31,318,971)**	(79,336,354)	(107,336,938)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Amounts owed by related parties	**(2,674,741)**	(10,213,022)	(25,721,430)
Other noncurrent assets	**(146,785)**	(2,461,186)	1,670,698
Additions to property and equipment (Note 9)	**(528,234)**	(6,745,427)	(4,342,929)
Deposits for future stock subscription (Note 8)	–	–	(15,715,348)
Net cash received on step acquisition to subsidiary (Note 7)	–	–	41,884
Net cash flows used in investing activities	**(3,349,760)**	(19,419,635)	(44,067,125)
CASH FLOWS FROM A FINANCING ACTIVITIES			
Increase in amounts owed to related parties	**38,852,973**	56,764,634	152,257,153
Proceeds from loan availment	**4,000,000**	40,500,000	–
Cash flows from financing activities	**42,852,973**	97,264,634	152,257,153
NET INCREASE (DECREASE) IN CASH	**8,184,242**	(1,491,355)	853,090
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**4,392**	(385)	–
CASH AT BEGINNING OF YEAR	**1,467,152**	2,958,892	2,105,802
CASH AT END OF YEAR	**₱9,655,786**	₱1,467,152	₱2,958,892

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

NOW Corporation (formerly 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 Integrated Digital Enhanced Network (iDEN), Code-Division Multiple Access (CDMA), Global System for Mobile Communication (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 NOW Telecom Company, Inc., formerly Next Mobile, Inc. (NOW Telecom), 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 NOW Telecom 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 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 (see Note 8).

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 (see Note 8).

On December 21, 2010, the Company 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).

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

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

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

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

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

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

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

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

On September 02, 2011, the Company entered into a Memorandum of Understanding with Huawei International Pte., Ltd., Huwaei Technologies Phils., Inc. and NOW Telecom. 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 NOW Telecom's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NOW Telecom 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. 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 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 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, 2013, 2012 and 2011, the Company has 73, 71 and 66 shareholders, respectively.

In 2012, the Company changed its principal place of business from 2nd Floor, Sterling Centre Building, Dela Rosa corner Esteban and Ormaza Streets, Legaspi Village, Makati City to Unit 5-I, 5th Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

The Board of Directors (BOD) and the Company's stockholders approved the change in name from Information Capital Technology Ventures, Inc. to NOW Corporation on July 2, 2013 and June 6, 2013, respectively. SEC approved the said change in name on August 16, 2013.

During the March 12, 2014 Regular BOD Meeting, the BOD delegated to the Chairman, or in his absence the Vice-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, 2013 and 2012 and for each of the three years in the period ended December 31, 2013.

The consolidated financial statements of the Group as of December 31, 2013 and 2012 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 28, 2014.

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 new and revised standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were applied starting January 1, 2013. These new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The 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. 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 affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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.

  The implementation of PFRS 10 does not have any impact to the Group based on the assessment performed. With the application of the new set of guidelines, the Group has not made any changes in the classification of currently held investments. Companies previously designated as either subsidiaries or associates maintain the same classification upon effectivity of the standard.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed 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 application of PFRS 11 has no impact on the Group since there are no jointly controlled entities that are accounted for under the proportionate consolidation method.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

- 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs. The Group has assessed that the application of PFRS 13 has not materially impacted its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 17.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will 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 affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from the 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 the plan assets by the nature risk. The revised PAS 19 have no impact on the Group's financial position or performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards – Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, Financial Instruments: *Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The 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 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*
  These 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. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The 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 does 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*
  The 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 does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The 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 affects disclosures only and has no impact on the Group's financial position or performance.

New Standards and Interpretation Issued and Effective after December 31, 2013

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 to have significant impact on its financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The 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 affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 Cycle)
The Annual Improvements to PFRSs (2010-2012 Cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a Group for which it is a part of, provides key management personnel services to the reporting entity or to the Group of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. 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.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board.

Basis of Consolidation

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

		Percentage of Ownership		
	Nature of Business	**2013**	2012	2011
JSIT[1]	Service	100%	100%	100%
Porteon SEA, Inc. (Porteon)[1]*	Manufacturing	100%	100%	100%
I-Resource[1]	Service	100%	100%	100%
I-Professional*	Service	100%	100%	–
Softrigger	Service	67%	67%	67%

[1] *JSIT, Porteon and I-Resource were incorporated in 2011.*
* *Not yet started commercial operations in 2013.*

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.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

- A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree 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 CGUs, or groups of CGUs 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 CGUs), to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of CGUs) 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, 2013 and 2012, 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, 2013 and 2012, 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", Loan payable 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.

<u>Derecognition of Financial Assets and Liabilities</u>
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, 2013 and 2012, 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 has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investments in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The statements of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statements of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as "Equity in net losses of associates" in the statements of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

If the Group's share of losses of an associate equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

<u>Property and Equipment</u>
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 five 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 CGUs 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 reporting 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 reporting 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 reporting 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 reporting 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.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT, which is presented as part of "Other current assets" in the balance sheet, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and or applied for claim for tax refund. Input VAT is stated at its estimated NRV.

Output VAT
Output VAT represents VAT due on the Group's sale, lease or exchange of taxable goods or properties or services.

Common 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 reporting 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 reporting 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

Sale of goods

Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyers and the amount of revenue can be measured reliably. Net sales is measured at the fair value of the consideration received, excluding sales taxes, discounts, returns and rebates, if any.

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 18.

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 operate 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).

Determination of Control or Significant Influence Over an Investee Company.
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined its investment in Softweb constitutes significant influence and not control.

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 CGUs 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. Goodwill from business combination was fully impaired in 2012 (see Note 7).

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, 2013 and 2012, allowance for impairment on receivable amounted to ₱2,648,260 and ₱1,759,302, respectively. Trade and other receivables net of allowance amounted to ₱44,994,632 and ₱33,444,719 as at December 31, 2013 and 2012, 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, 2013 and 2012, the carrying amounts of property and equipment amounted to ₱11,156,581 and ₱16,552,657, 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 five years as well as the terminal value at the end of five 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, 2013 and 2012 (see Note 8).

Estimating realizability of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting 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 ₱281,965,133 and ₱200,592,990 as at December 31, 2013 and 2012, 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.

No impairment loss on these nonfinancial assets was recognized in 2013 and 2012. The aggregate carrying amounts of property and equipment, other current assets advances and other noncurrent assets amounted to ₱46,127,332 and ₱51,787,573 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

	2013	2012
Trade receivables		
Related parties (Note 11)	**₱20,702,412**	₱12,714,536
Third parties	**19,100,291**	13,707,826
Advances to officers and personnel	**5,627,367**	6,413,888
Others (Note 8 and 11)	**2,212,822**	2,367,771
	47,642,892	35,204,021
Less allowance for impairment losses	**2,648,260**	1,759,302
	₱44,994,632	₱33,444,719

Trade and nontrade receivables from third parties are noninterest-bearing and are generally on 30 to 60 days' term.

Trade receivables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

Others pertain to loan receivable from a related party which is unsecured and are to be settled upon demand (see Note 8).

Movement in allowance for impairment losses are as follows:

	2013	2012
Balance as at January 1	**₱1,759,302**	₱664,603
Provision for the year	**888,958**	1,094,699
Balance as at December 31	**₱2,648,260**	₱1,759,302

6. Other Current Assets

	2013	2012
Prepayments	**₱2,157,675**	₱2,381,261
Creditable withholding tax	**1,843,444**	1,271,465
Input VAT	**1,497,707**	1,996,067
Others	**100,689**	100,689
	₱5,599,515	₱5,749,482

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.

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)

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 consolidated balance sheet as at December 31, 2011.

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 2011.

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 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 at December 31, 2013 and 2012, the components of the carrying amounts of investments accounted for under the equity method are as follows:

	2013	2012
Acquisition cost:		
Balances at beginning and end of year	**₱6,000,000**	₱6,000,000
Equity in net losses of associates:		
Balances at beginning of year	**(6,000,000)**	(2,923,275)
Share in net losses of associates	**–**	(3,076,725)
Balances at end of year	**(6,000,000)**	(6,000,000)
Investments in associates at equity	**–**	–
Advances to an associate	**5,000,000**	5,000,000
	₱5,000,000	₱5,000,000

Advances to an associate pertain to deposits for future stock subscription in Softweb pending the latter's increase in its authorized capital stock.

Pertinent financial information for the investee as of December 31, 2013 and 2012 follow:

	2013	2012
Total assets	**₱18,147,645**	₱9,335,845
Total liabilities	**46,126,147**	32,093,994
Total capital deficiency	**27,978,502**	22,758,149
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**–**	–

	2013	2012	2011
Revenue	**₱34,700,400**	₱31,983,559	₱27,946,896
Cost of Sales	**29,496,364**	29,756,717	21,679,013
Expenses	**10,028,135**	11,885,601	11,986,506
Taxes	**–**	40,704	127,927
Net loss	**4,854,696**	9,427,666	5,846,550
Group's share of loss for the year	**2,412,050**	4,849,732	2,923,275

As of December 31, 2013 and 2012, the Group's share in loss of Softweb already exceeded the cost of investment. The Group only recognizes the loss to the extent of the cost of investment. Accordingly, investment in Softweb as of December 31, 2013 and 2012 is nil. The Group does not have any legal or constructive obligation to make payments on behalf of Softweb. The unrecognized share in net loss as of December 31, 2013 and 2012 amounted to ₱2,412,050 and ₱1,773,007, respectively.

AFS Investment
The Company has an investment in NOW Telecom classified as AFS investment.

On April 28, 2006, the Company entered into a MOA with NOW Telecom and five controlling stockholders of NOW Telecom namely, Top Mega, Joycelink, GHI, EII, Food Camp (the five companies collectively known as NOW Telecom 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 NOW Telecom shares owned and controlled by the NOW Telecom 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 NOW Telecom and not 97%, as originally intended. As a result, the NOW Telecom stockholders will transfer to the Company 2,656,580 NOW Telecom 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 NOW Telecom 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 NOW Telecom 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 NOW Telecom shareholders.

As of December 31, 2013 and 2012, the Group's investment in NOW Telecom amounted to ₱1,289,278,350.

Deposits for Future Stock Subscription
As mentioned in Note 1, the Company entered into agreements with Thumbmob and Holy Cow for the subscription of Thummob and Holy Cow shares. Deposits for future stock subscriptions in Thumbmob and Holy Cow amounted to ₱14,344,868 and ₱9,004,163, respectively, as of December 31, 2013 and 2012. These are currently recorded under "noncurrent assets" in the consolidated balance sheets pending the increase in the authorized capital stock of the investee companies. The Investment and Subscription Agreement with Thumbmob is subject to the confirmation by the Board of Directors of the Company.

In addition, the Company has outstanding loan and interest receivable from Holy Cow amounting to ₱2,212,822 and ₱2,367,771 as at December 31, 2013 and 2012, respectively (see Note 5).

9. Property and Equipment

As of December 31, 2013

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱5,784,990	₱15,169,919	₱10,636,155	₱1,222,083	₱32,813,147
Additions	–	–	327,342	200,892	528,234
Disposals	(690,630)	–	–	(29,087)	(719,717)
Reclassifications	(237,790)	–	237,790	–	–
Ending balances	4,856,570	15,169,919	11,201,287	1,393,888	32,621,664
Accumulated depreciation and amortization:					
Beginning balances	2,431,353	5,905,549	7,154,339	769,249	16,260,490
Depreciation and amortization for the year	659,328	3,150,483	1,953,010	111,465	5,874,286
Disposals	(660,482)	–	–	(9,211)	(669,693)
Ending balances	2,430,199	9,056,032	9,107,349	871,503	21,465,083
Net book value	₱2,426,371	₱6,113,887	₱2,093,938	₱522,385	₱11,156,581

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

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

Cost of fully depreciated assets still in use amounted to ₱3,361,481 and ₱4,287,206, in 2013 and 2012, respectively.

10. Accounts Payable and Accrued Expenses

	2013	2012
Trade and other payables		
Third parties	**₱35,367,885**	₱18,521,201
Related parties (see Note 11)	**13,523,333**	8,524,728
Withholding tax payable	**4,727,679**	4,466,168
Output VAT payable	**2,955,315**	1,846,658
Accrued expenses		
Interest (see Note 11)	**59,903,586**	59,903,586
Rent	**2,015,676**	1,085,364
Others	**8,286,523**	7,989,227
	₱126,779,997	₱102,336,932

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 NOW Telecom to the Company's clients for a period of three years until May 2008. In consideration thereof, the Company billed NOW Telecom the amount of ₱5,000,000 in 2006.

   Also, the Company entered into a financial advisory and arrangement agreement in relation to NOW Telecom'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 NOW Telecom. In 2006, the Company billed NOW Telecom the amount of ₱3,100,000 for its services.

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

   Amounts owed by NOW Telecom as of December 31, 2013 and 2012 amounted to ₱17,853,801 and ₱18,665,049 respectively. From the foregoing events, these receivables 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. Interest was reduced by the parties to 5.5% per annum in 2007 and shall be subject to annual repricing subsequent to 2007.

On June 25, 2010, both parties agreed to extend the maturity of the loan from August 30, 2010 to August 30, 2012. On August 31, 2012, both parties agreed to extend the maturity of the loan up to August 30, 2015, with the interest rate further reduced to 3% per annum starting January 1, 2013. Interest income amounted to ₱467,033 in 2013 and ₱934,065 in 2012 and 2011. As of December 31, 2013 and 2012, amounts owed by IBI amounted ₱25,629,612 and 25,162,579, respectively.

IBI is under common ownership with the Group.

c. In 2008, the Company entered into a Sub-Lease Agreement (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 until December 31, 2011. Rental expense charged to operations amounted to ₱2,482,061 in 2011.

   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. 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. The lease ended on October 2011 and the Company moved to another office space.

   Amounts owed to EII amounted to ₱2,902,918 as of December 31, 2013 and 2012. Outstanding liability to EII are due and demandable.

   EII is a stockholder of the Group.

d. 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. The said agreement was extended up to July 15, 2012.

   On June 7, 2012, the Company entered into another service agreement with KPSC for a period of 2 years beginning July 16, 2012 to July 15, 2014. KPSC provides consultancy and manpower services depending on the services specifically required by the Group.

   As of December 31, 2013 and 2012, the Company has no outstanding payable to KPSC. KPSC has cooperators who are also stockholders of the Group.

e. 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. In accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, the Company calculated for the effective interest rate during the periods of deferral. Accretion/interest expense was recognized in the statements of income using the effective interest rate. Interest expense amounted to ₱19,606,523 and ₱37,584,021 in 2013 and 2012, respectively. Outstanding accrued interest amounted to ₱79,510,109 and ₱59,903,586 as of December 31, 2013 and 2012, respectively.

Net amounts owed to Velarde, Inc. amounted to ₱349,023,354 and ₱272,746,632 as of December 31, 2013 and 2012, respectively.

f. The Company charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees amounted to ₱4,800,000 and ₱240,000, respectively, for the years ended December 31, 2013 and 2012, respectively.

g. The Company entered into a loan agreement with Porteon. The principal amount is US$50,000.

Related party transactions are generally settled in cash.

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 2013**	**₱59,502,678**	**₱–**	**₱–**	**₱349,023,354**	**₱–**	**On demand**	**Unsecured**
	2012	66,454,181	–	–	272,746,632	–	On demand	Unsecured
	Management fee 2013	**240,000**		**720,000**	–	–	**On demand**	**Unsecured**
	2012	240,000		480,000	–	–	On demand	Unsecured
GHI	**Advances 2013**	–	–	–	–	**2,035,055**	**On demand**	**Unsecured**
	2012	2,035,055	–	–	–	2,035,055	On demand	Unsecured
EII	**Advances 2013**	–	**40,848**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	40,848	40,848	–	–	–	On demand	Unsecured
	Leases 2013	–	–	–	**2,902,918**	–	**On demand**	**Unsecured, no impairment**
	2012	–	–	–	2,902,918	–	On demand	Unsecured
Affiliates								
NOW Telecom (formerly NMI)	**Advances 2013**	–	**18,096,538**	–	**242,737**	–	**On demand**	**Unsecured, no impairment**
	2012	5,321,472	18,710,307	–	45,421	–	On demand	Unsecured, no impairment
KPSC	**Advances 2013**	–	**286,503**	–	–	**11,488,278**	**On demand**	**Unsecured, no impairment**
	2012	(105,000)	752,470	–	–	–	On demand	Unsecured, no impairment
	Services 2013	**38,586,518**	–	–	–	–	**On demand**	**Unsecured**
	2012	75,160,352	–	–	–	6,489,673	On demand	Unsecured
AIJC	**Advances 2013**	**163,554**	**705,911**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	511,858	542,358	–	–	–	On demand	Unsecured, no impairment
IBI	**Advances 2013**	–	**15,567,752**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	–	15,567,752	–	–	–	On demand	Unsecured, no impairment
	Interest 2013	**467,033**	**10,061,860**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	934,063	9,594,827	–	–	–	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
Holycow	**Loans 2013**	**₱–**	**₱–**	**₱2,211,771**	**₱–**	**₱–**	**On demand**	**Unsecured, no impairment**
	2012	178,771	–	2,211,771	–	–	On demand	Unsecured, no impairment
	Interest 2013	**–**	**156,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	156,000	–	156,000	–	–	On demand	Unsecured, no impairment
Associate								
Softweb	**Advances 2013**	**1,198,338**	**6,921,104**	**–**	**1,696,240**	**–**	**On demand**	**Unsecured**
	2012	7,269,542	4,054,360	–	–	–	On demand	Unsecured
	Loans 2013		**714,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	500,000	–	–	–	On demand	Unsecured, no impairment
	Sales 2013	**20,486,141**	**–**	**9,193,463**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	17,159,155	214,000	6,244,536	–	–	On demand	Unsecured, no impairment
	Management fee 2013	**4,800,000**	**–**	**10,790,000**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	4,800,000	–	5,990,000	–	–		
Paradiso Verde	**Services 2013**	**101,147**	**101,147**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	–	–	–	–	On demand	Unsecured, no impairment
Porteon Electric Vehicles, Inc.	**Loans 2013**	**–**	**2,160,300**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	2,160,300	–	–	–	On demand	Unsecured, no impairment
Total	**2013**		**₱54,811,963**	**₱22,915,234**	**₱353,865,249**	**₱13,523,333**		
	2012		52,137,222	15,082,307	275,694,971	8,524,728		

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, 2013 and 2012 are as follows:

	2013	2012
Within one year	**₱3,260,830**	₱3,682,332
After one year but not more than five years	**701,747**	3,962,577
Total minimum lease obligations	**3,962,577**	7,644,909
Less interest portion	**278,673**	884,379
Present value of minimum lease obligations	**3,683,904**	6,760,530
Less current portion	**3,008,471**	3,076,625
Noncurrent portion	**₱675,433**	₱3,683,905

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.

On December 9, 2013, the bank has approved the conversion of the short term loans totaling to ₱44,500,000 into a two-year term loan. The principal balance of the loan is payable on January 19, 2016.

The loans are short-term, bear interest at floating effective interest rates ranging from 2.08% to 3.80% and 2.79% to 3.80% in 2013 and 2012, respectively. Interest is payable every 30 days.

Interest expense amounted to ₱1,987,981, ₱265,619 and nil in 2013, 2012 and 2011, respectively.

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 NOW Telecom (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, 2013, the proposed increase in authorized capital stock is pending implementation and application with the SEC.

15. Income Taxes

The provision for income tax represents RCIT and MCIT in 2013 and 2012 and 2011.

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

	2013	2012	2011
Statutory income tax at 30%	**(₱26,161,427)**	(₱41,371,961)	(₱42,369,696)
Tax effects of:			
Unrecognized deferred income tax assets on:			
NOLCO and MCIT	**13,923,011**	26,634,808	33,168,936
Allowance for impairment losses	**266,687**	328,409	199,381
Unrealized foreign exchange loss	**78,752**	54,017	–
Accrued interest expense	**10,914,503**	11,558,021	6,411,984
Unallowable EAR	**286,792**	869,887	84,781
Final tax on interest income	**479**	937	1,730
Nondeductible interest expense	**333**	464	1,110
Impairment on goodwill	–	1,146,400	–
Equity in net losses of associates	–	923,018	2,366,525
Interest income subjected to final tax	**(1,436)**	(2,342)	(3,163)
Others	**721,601**	61,844	243,201
	₱29,295	₱203,502	₱104,789

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:

	2013	2012	2011
NOLCO	**₱278,767,531**	₱198,327,067	₱110,219,591
Allowance for probable losses on receivables	**2,648,260**	1,759,302	664,603
MCIT	**308,987**	326,563	123,998
Unrealized foreign exchange loss	**240,355**	180,058	–
	₱281,965,133	₱200,592,990	₱111,008,192

16. Basic/Diluted EPS

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

	2013	2012	2011
Net loss (a)	**₱87,234,051**	₱138,110,040	₱141,337,107
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)	**₱0.0662**	₱0.1048	₱0.1073

For the years ended December 31, 2013, 2012 and 2011, 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, obligations under finance lease and loans payable.

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, credit risk and interest rate 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, 2013 and 2012, 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, 2013

	On demand	Within 1 year	More than 1 year	Total
Financial liabilities:				
Accounts payable and accrued expenses*	₱108,847,556	₱11,074,229	₱–	₱119,921,785
Amounts owed to related parties	4,841,895	–	349,023,354	353,865,249
Future interest on loans payable	–	941,175	1,019,606	1,960,781
Loans payable	–	–	44,500,000	44,500,000
Obligations under finance lease	–	3,008,471	675,433	3,683,904
Total undiscounted financial liabilities	113,689,451	15,023,875	395,218,393	523,931,719
Financial assets:				
Cash	9,655,786	–	–	9,655,786
Trade and other receivables	28,542,601	16,452,031	–	44,994,632
Amounts owed by related parties	54,812,563	–	–	54,812,563
AFS investment	–	–	1,289,278,350	1,289,278,350
Total undiscounted financial assets	93,010,950	16,452,031	1,289,278,350	1,398,741,331
Net undiscounted financial asset (liability)	(₱20,678,501)	₱1,428,156	₱894,059,957	₱874,809,612

**Except government payables*

December 31, 2012

	On demand	Within 1 year	More than 1 year	Total
Financial liabilities:				
Accounts payable and accrued expenses*	₱77,502,905	₱18,521,201	₱–	₱96,024,106
Amounts owed to related parties	3,136,572	–	272,558,399	275,694,971
Future interest on loans payable	–	384,750	–	384,750
Loans payable	40,500,000	–	–	40,500,000
Obligations under finance lease	–	3,076,625	3,683,905	6,760,530
Total undiscounted financial liabilities	121,139,477	21,982,576	276,242,304	419,364,357
Financial assets:				
Cash	1,467,152	–	–	1,467,152
Trade and other receivables	21,496,195	11,948,524	–	33,444,719
Amounts owed by related parties	52,137,222	–	–	52,137,222
AFS investment	–	–	1,289,278,350	1,289,278,350
Total undiscounted financial assets	75,100,569	11,948,524	1,289,278,350	1,376,327,443
Net undiscounted financial asset (liability)	(₱46,038,908)	(₱10,034,052)	₱1,013,036,046	₱956,963,086

**Except government payables*

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.

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 at December 31, 2013 and 2012, 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 ₱1,391,341,331 and ₱1,376,327,443 as of December 31, 2013 and 2012 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.

The Group has impaired receivables amounting to ₱2,648,260 and ₱1,759,302 as of December 31, 2013 and 2012, 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 loan payable. Dues from affiliates and finance lease obligations have fixed interest rates.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Company's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax
2013	**10**	**₱22,250**
	(10)	**(22,250)**
2012	10	20,250
	(10)	(20,250)

There is no other impact on the Company's equity other than those already affecting income.

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, and amounts owed to related parties
The carrying amounts of cash, trade and other receivables, amounts owed by related parties, accounts payable and accrued expenses, loans payable and current 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.

Noncurrent amounts owed to related parties
The fair value of noncurrent amounts owed to related parties is based on the discounted net present value of cash flows using effective interest rate of 3.23% and 3.80%, in December 31, 2013 and December 31, 2012, respectively. The fair value is categorized under level 3 valuation technique for fair value hierarchy

Loans payable
The fair value of loans payable is based on the discounted net present value of cash flow using effective interest rate of 2.16% as of December 31, 2013. The fair value is categorized under level 3 valuation technique for fair value hierarchy. The fair value of the loans payable as of December 31, 2012 approximates its fair value due to the short-term maturity.

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 0.01% to 2.08% in 2013 and 0.01% to 3.27% in 2012. The disclosed fair value is determined using Level 3 inputs.

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, 2013 and 2012, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2013

	Total	**Level 1**	**Level 2**	**Level 3**
Disclosed at fair value:				
Amounts owed by related parties	**₱274,783,839**	**₱–**	**₱–**	**₱274,783,839**
Loans payable	**42,531,087**	**–**	**–**	**42,531,087**
Obligations under finance lease	**3,940,163**	**–**	**–**	**3,940,163**

December 31, 2012

	Total	Level 1	Level 2	Level 3
Disclosed at fair value:				
Amounts owed by related parties	₱225,538,017	₱–	₱–	₱225,538,017
Obligations under finance lease	7,486,695	–	–	7,486,695

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2013 and 2012. The Group has no financial instruments under Level 1 and Level 2.

Set out below is the category of all of the Group's financial instruments that are carried in the balance sheets:

December 31, 2013

	Cash on hand	Loans and receivables	AFS investments	Other financial liabilities
Financial assets				
Cash	₱7,400,000	₱2,255,786	₱–	₱–
Trade and other receivable	–	44,994,632	–	–
Amounts owed by related parties	–	54,812,563	–	–
AFS investment	–	–	1,289,278,350	–
Financial liabilities				
Loans payable	–	–	–	44,500,000
Obligations under finance lease	–	–	–	3,683,904
Accounts payable and accrued expenses	–	–	–	119,921,785
Amounts owed to related parties	–	–	–	353,865,249
Total	**₱7,400,000**	**₱102,062,981**	**₱1,289,278,350**	**₱521,970,938**

December 31, 2012

	Cash on hand	Loans and receivables	AFS investments	Other financial liabilities
Financial assets				
Cash	₱–	₱1,467,152	₱–	₱–
Trade and other receivable	–	33,444,719	–	–
Amounts owed by related parties	–	52,137,222	–	–
AFS investment	–	–	1,289,278,350	–
Financial liabilities				
Loans payable	–	–	–	40,500,000
Obligations under finance lease	–	–	–	6,760,530
Accounts payable and accrued expenses	–	–	–	96,024,106
Amounts owed to related parties	–	–	–	275,694,971
Total	₱–	₱87,049,093	₱1,289,278,350	₱418,979,607

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, 2013, 2012 and 2011.

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

	2013	2012
Capital stock	₱1,317,278,350	₱1,317,278,350
Deficit	(397,204,892)	(309,971,214)
	₱920,073,458	₱1,007,307,136

18. 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 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:

	2013		
	IT Resource Management	IT products and services	Total
Service, marketing, management and consultancy fees	₱38,324,733	₱40,521,472	₱78,846,205
Interest income	1,769	470,051	471,820
Total revenue	₱38,326,502	₱40,991,532	₱79,318,034
Equity in net losses of associates	₱–	₱–	₱–
Provision for income tax	–	29,295	29,295
Net loss	4,549,238	82,684,813	87,234,051
Other information:			
Investments and advances	–	1,294,278,350	1,294,278,350
Capital expenditures	4,315,446	6,841,135	11,156,581
Segment assets	13,497,662	1,431,367,038	1,444,864,700
Segment liabilities	29,655,510	499,173,640	528,829,150
Depreciation and amortization	1,077,792	5,069,445	6,147,237

	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	1,122,829	1,124,906
Total revenue	₱19,036,927	₱30,977,762	₱50,014,689
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	1,428,115,016
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

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.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
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of NOW Corporation (formerly Information Capital Technology Ventures, Inc.) and its subsidiaries as at and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated April 28, 2014. 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. 4225232, January 2, 2014, Makati City

April 28, 2014

NOW CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2013

Deficit, as adjusted to available for dividend distribution, beginning	(₱309,971,214)
Net loss during the year	(87,233,678)
Deficit	(₱397,204,892)

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2013

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, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	First-time Adoption of Philippine Financial Reporting Standards-Meaning of 'Effective PFRSs'	See footnote*		
	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			✓
	Share-based Payment-Definition of Vesting Condition	See footnote*		
PFRS 3 (Revised)	Business Combinations			✓
	Business Combinations: Accounting for Contingent Consideration in a Business Combination	See footnote*		
	Business Combinations-Scope Exceptions for Joint Arrangements	See footnote*		

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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 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 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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote*		
PFRS 8	Operating Segments	✓		
	Operating Segments-Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	See footnote*		
PFRS 9	Financial Instruments	See footnote*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote*		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments: Investment Entities	See footnote*		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments: Investment Entities	See footnote*		
PFRS 13	Fair Value Measurement	✓		
	Fair Value Measurement-Short-term Receivables and Payables	See footnote*		
	Fair Value-Measurement-Portfolio Exception	See footnote*		

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Property, Plant and Equipment-Revaluation Method	See footnote*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	See footnote*		
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	✓		
	Related Party Disclosures-Key Management Personnel	See footnote*		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 27	Consolidated and Separate Financial Statements	✓		
	Amendments: Investment Entities		See footnote*	
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments: Investment Entities			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments: Investment Entities			✓
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		See footnote*	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets		See footnote*	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Intangible Assets-Revaluation Method		See footnote*	
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 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			✓

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	See footnote*		
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 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
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			✓

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies	See footnote*		
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			✓

*Effective Subsequent to December 31, 2013

COVER SHEET

A1996-00179

SEC Registration Number

NOW CORPORATION (formerly INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.)

(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)

AAPFS

(Form Type)

06 06

Month *Day*

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Article I

Amended Articles Number/Section

Total Amount of Borrowings

73

Total No. of Stockholders

₱48.2 million

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
NOW Corporation
(Formerly Information Capital Technology Ventures, Inc.)
Unit 5-I, 5th Floor, OPL Builing
100 C. Palanca Street, Legaspi Village
Makati City

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of NOW Corporation (formerly Information Capital Technology Ventures, Inc.), which comprise the parent company balance sheets as at December 31, 2013 and 2012, and the parent company 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, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

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

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)

PARENT COMPANY BALANCE SHEETS

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash (Note 16)	**₱1,167,539**	₱876,480
Trade and other receivables (Notes 5 and 16)	**31,048,756**	27,420,279
Amounts owed by related parties (Notes 10 and 16)	**75,328,288**	65,597,282
Other current assets (Note 6)	**3,561,356**	4,529,827
Total Current Assets	**111,105,939**	98,423,868
Noncurrent Assets		
Investments and advances (Notes 7 and 16)	**1,303,989,206**	1,300,989,206
Property and equipment - net (Note 8)	**10,195,825**	15,395,638
Other noncurrent assets - net of accumulated amortization of computer software amounting to ₱667,991 and ₱395,041 as at December 31, 2013 and 2012, respectively (Note 7)	**24,265,501**	24,269,301
Total Noncurrent Assets	**1,338,450,532**	1,340,654,145
TOTAL ASSETS	**₱1,449,556,471**	₱1,439,078,013
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 12 and 16)	**₱–**	₱40,500,000
Current portion of obligations under finance lease (Note 11)	**3,008,471**	3,076,625
Accounts payable and accrued expenses (Notes 9 and 16)	**97,610,983**	79,262,257
Amounts owed to related parties (Notes 10 and 16)	**3,380,752**	3,352,918
Total Current Liabilities	**104,000,206**	126,191,800
Noncurrent Liabilities		
Loans payable (Notes 12 and 16)	**44,500,000**	–
Obligations under finance lease - net of current portion (Note 11)	**675,433**	3,683,905
Amounts owed to related parties (Note 10)	**349,023,354**	272,558,399
Total Noncurrent Liabilities	**394,198,787**	276,242,304
Equity		
Common stock - ₱1 par value (Note 13)		
Authorized - 1,320,000,000 shares		
Issued - 1,317,278,350 shares	**1,317,278,350**	1,317,278,350
Deficit	**(365,920,872)**	(280,634,441)
Total Equity	**951,357,478**	1,036,643,909
TOTAL LIABILITIES AND EQUITY	**₱1,449,556,471**	₱1,439,078,013

See accompanying Notes to Parent Company Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2013	2012	2011
REVENUES			
Sales	**₱23,982,319**	₱17,939,156	₱–
Service fees	**14,965,866**	5,660,818	17,806,661
Management fees (Note 10)	**5,040,000**	6,135,000	2,535,000
Interest (Note 10)	**469,723**	1,120,751	1,848,879
	44,457,908	30,855,725	22,190,540
COSTS AND EXPENSES			
Interest and other charges (Notes 10 and 12)	**38,368,548**	38,772,812	21,376,850
Cost of sales	**22,267,704**	14,944,341	–
Cost of services	**22,037,644**	5,778,448	17,028,922
Outside services (Note 10)	**20,973,203**	52,250,757	55,645,296
Depreciation and amortization (Note 8)	**5,950,974**	5,786,049	4,003,234
Communication	**4,869,229**	6,730,163	2,192,465
Professional fees	**3,252,417**	4,887,416	10,797,028
Utilities	**2,766,393**	2,561,980	562,090
Rental (Note 10)	**2,017,012**	2,152,390	2,455,293
Entertainment, amusement and recreation (EAR)	**1,293,424**	3,045,644	2,310,528
Transportation and travel	**1,244,583**	5,687,756	3,180,348
Advertising and promotion	**1,051,289**	4,370,150	425,011
Provision for impairment loss on receivables (Note 5)	**888,958**	909,880	664,603
Insurance	**609,567**	400,204	98,691
Taxes and licenses	**561,735**	249,098	523,512
Dues and subscription	**468,941**	852,978	864,762
Office supplies	**282,356**	608,958	831,489
Foreign exchange loss	**218,203**	230,396	341,424
Repairs and maintenance	**147,111**	243,784	250,313
Directors' fees	**39,000**	37,725	46,500
Training and development	**22,625**	705,731	680,822
Provision for impairment losses on investments (Note 7)	**–**	13,906,473	7,888,415
Others	**409,581**	442,380	813,726
	129,740,497	165,555,513	132,981,322
LOSS BEFORE INCOME TAX	**85,282,589**	134,699,788	110,790,782
PROVISION FOR INCOME TAX (Note 14)			
Current:			
Income	**3,363**	202,565	103,059
Final	**479**	937	1,730
	3,842	203,502	104,789
NET LOSS	**₱85,286,431**	₱134,903,290	₱110,895,571
Basic/Diluted Loss Per Share (Note 15)	**₱0.0647**	₱0.1024	₱0.0842

See accompanying Notes to Parent Company Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Common stock	Deficit	Total
Balances at December 31, 2010	₱1,317,278,350	(₱34,835,580)	₱1,282,442,770
Net loss for the year	–	(110,895,571)	(110,895,571)
Other comprehensive income	–	–	–
Total comprehensive loss	–	(110,895,571)	(110,895,571)
Balances at December 31, 2011	₱1,317,278,350	(₱145,731,151)	₱1,171,547,199
Balances at December 31, 2011	₱1,317,278,350	(₱145,731,151)	₱1,171,547,199
Net loss for the year	–	(134,903,290)	(134,903,290)
Other comprehensive income	–	–	–
Total comprehensive loss	–	(134,903,290)	(134,903,290)
Balances at December 31, 2012	₱1,317,278,350	(₱280,634,441)	₱1,036,643,909
Balances at December 31, 2012	₱1,317,278,350	(₱280,634,441)	₱1,036,643,909
Net loss for the year	–	(85,286,431)	(85,286,431)
Other comprehensive income	–	–	–
Total comprehensive loss	–	(85,286,431)	(85,286,431)
Balances at December 31, 2013	**₱1,317,278,350**	**(₱365,920,872)**	**₱951,357,478**

See accompanying Notes to Parent Company Financial Statements.

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱85,285,952)**	(₱134,699,788)	(₱110,790,782)
Adjustments for:			
Interest and other charges (Notes 10 and 12)	**38,368,548**	38,772,812	–
Depreciation and amortization (Note 8)	**5,950,974**	5,786,049	4,003,234
Provision for impairment loss on receivables	**888,958**	909,880	664,603
Unrealized foreign exchange loss	**240,354**	180,058	–
Loss on disposal of property and equipment	**50,024**	–	–
Interest income	**(469,723)**	(1,120,751)	(1,848,879)
Provision for impairment loss on investments (Note 7)	**–**	13,906,473	7,888,415
Operating loss before working capital changes	**(40,256,817)**	(76,265,267)	(100,083,409)
Increase in:			
Trade and other receivables	**(4,407,112)**	(13,002,129)	(14,572,660)
Accounts payable and accrued expenses	**18,248,104**	9,868,256	8,617,771
Decrease in other current assets	**968,471**	2,283,196	(5,552,313)
Net cash used in operations	**(25,447,354)**	(77,115,944)	(111,590,611)
Interest received	**2,690**	186,686	505,693
Income taxes paid	**(479)**	(69,728)	(56,000)
Interest paid	**(1,382,274)**	(246,076)	–
Net cash flows used in operating activities	**(26,827,417)**	(77,245,062)	(111,140,918)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in subsidiaries and associates (Note 7)	**–**	(500,000)	(6,534,131)
Increase in other noncurrent assets	**(269,150)**	(2,447,483)	(71,093)
Additions to property and equipment (Notes 8 and 17)	**(528,235)**	(6,643,641)	(3,593,204)
Deposits for future stock subscription (Note 7)	**(3,000,000)**	–	(15,715,348)
Increase in amounts owed by related parties	**(9,514,472)**	(12,783,796)	(18,587,951)
Net cash flows used in investing activities	**(13,311,857)**	(22,374,920)	(44,501,727)
CASH FLOWS FROM A FINANCING ACTIVITY			
Increase in amounts owed to related parties	**36,429,889**	58,614,569	154,919,121
Proceeds from loans (Note 12)	**4,000,000**	40,500,000	–
Net cash flows from financing activities	**40,429,889**	99,114,569	154,919,121
NET INCREASE (DECREASE) IN CASH	**290,615**	(505,413)	(723,524)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**444**	(385)	–
CASH AT BEGINNING OF YEAR	**876,480**	1,382,278	2,105,802
CASH AT END OF YEAR	**₱1,167,539**	₱876,480	₱1,382,278

See accompanying Notes to Parent Company Financial Statements.

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 NOW Telecom Company, Inc., formerly Next Mobile, Inc. (NOW Telecom), 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 NOW Telecom shareholders, at a swap price of ₱1.00 per share. Also, PSE had approved the application of the Company to transfer from SME Board to the Second Board of the PSE (see Note 7).

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

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 whether to the current authorized capital stock or any future increases thereof.

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.

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

The BOD and the Company's stockholders approved the change in name from Information Capital Technology Ventures, Inc. to NOW Corporation on July 2, 2013 and June 6, 2013, respectively. SEC approved the said change in name on August 16, 2013.

As of December 31, 2013, 2012 and 2011, the Company has 73, 71 and 66 shareholders, respectively.

On September 2, 2011, the Company entered into a Memorandum of Understanding with Huawei International Pte., Ltd., Huwaei Technologies Phils., Inc. and NOW Telecom. 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 th e common purpose of implementing NOW Telecom's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NOW Telecom in partnership with the world's largest information technology company Huawei.

On December 9, 2011, the Company executed a MOA 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 Parent 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 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 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 takes place such as in transport, animation, social networking and even healthcare.

In 2012, the Company changed its principal place of business from 2nd Floor, Sterling Centre Building, Dela Rosa corner Esteban and Ormaza Streets, Legaspi Village, Makati City to Unit 5-I, 5th Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

The Company has no regular employees as of December 31, 2013 and 2012. Its administrative functions are being handled by personnel of KPSC (see Note 10).

During the March 12, 2014 Regular BOD Meeting, the BOD delegated to the Chairman, or in his absence the Vice Chairman, and President the authority to approve the issuance of the parent company financial statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2012.

The parent company financial statements as of December 31, 2013 and 2012 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 28, 2014.

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

Basis of Preparation
The accompanying parent company financial statements have been prepared under the historical cost basis, including the available-for-sale (AFS) investments that is not quoted in an active market. The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS). These may be obtained from the Company's principal place of business.

Statement of Compliance
The parent company financial statements have been prepared in accordance with PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and revised standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were applied starting January 1, 2013. These new and revised standards and interpretations did not have any significant impact on the parent company's financial statements:

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The 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. 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 affect disclosures only and have no impact on the parent company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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.

  The implementation of PFRS 10 does not have any impact to the Company based on the assessment performed. With the application of the new set of guidelines, the Company has not made any changes in the classification of currently held investments. Companies previously designated as either subsidiaries or associates maintain the same classification upon effectivity of the standard.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed 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 application of PFRS 11 has no impact on the Company since there are no jointly controlled entities that are accounted for under the proportionate consolidation method.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

- 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs. The Company has assessed that the application of PFRS 13 has not materially impacted its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 16.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will 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 affect presentation only and have no impact on the parent company's financial position or performance.

- Revised PAS 19, *Employee Benefits*
  Amendments to PAS 19 range from the 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 the plan assets by the nature risk. The Revised PAS 19 has no impact on the parent company's financial position or performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards – Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, Financial Instruments: *Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.

<u>Annual Improvements to PFRSs (2009-2011 cycle)</u>
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The 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 does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These 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. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the parent company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The 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 does not have any significant impact on the parent company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The 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 does not have any significant impact on the parent company's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The 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 affects disclosures only and has no impact on the parent company's financial position or performance.

<u>New Standards and Interpretation Issued and Effective after December 31, 2013</u>
The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (*Amendments*)*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable

amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the parent company's financial position or performance.

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company.

- Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The 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 affect presentation only and have no impact on the parent company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 Cycle)
The Annual Improvements to PFRSs (2010-2012 Cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the parent company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the parent company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a Company for which it is a part of, provides key management personnel services to the reporting entity or to the Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the parent company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the parent company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial

statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the parent company's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the parent company's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board.

3. Summary of Significant Accounting Policies

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Financial Instruments</u>
Financial instruments are recognized in the parent company balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company 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 Company's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2013 and 2012, the Company has no outstanding financial assets at FVPL and HTM investments.

Under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Company's financial liabilities are of the nature of other financial liabilities. As of December 31, 2013 and 2012, the Company 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 parent company 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 in the "Interest income" account in the parent company statement of income. The losses arising from impairment of loans and receivables are recognized in the parent company 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 parent company balance sheet.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the parent company 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 parent company statement of income.

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 Company 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 Company's "Accounts payable and accrued expenses", "Amounts owed to related parties", "Obligations under finance lease", "Loans payable" 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 Company 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 the use of an allowance account. The amount of the loss shall be recognized in the parent company statement of income.

The Company 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 Company of financial assets with similar credit risk characteristics and that Company of financial assets is collectively assessed for impairment.

Those characteristics are relevant to the estimation of future cash flows for group 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 statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments
For AFS investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a Company 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 parent company statement of income - is removed from other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income; increased in their fair value after impairment are recognized directly in other comprehensive income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company'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 Company 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 Company's continuing involvement is the amount of the transferred asset that the Company 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 Company'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 parent company 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 parent company 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 Company assesses whether embedded derivatives are required to be separated from host contracts when the Company 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the 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 parent company balance sheet.

Investments in subsidiaries
Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are carried at cost less any impairment in value.

Business combination of entities under common control is accounted for using a method similar to pooling of interest. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associates is accounted for using the cost method of accounting.

The Company's investments in subsidiaries and associates are accounted for under the cost method of accounting in the Company's separate financial statements. These investments are carried in the Company's balance sheet at cost less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

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 parent company statement of income as incurred.

The initial cost of property and equipment consists of 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 depreciated 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 a changes in accounting estimates. The amortization expense is recognized in "Depreciation and amortization" account in the parent company statement of income.

Impairment of Nonfinancial Assets
The Company 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 Company 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. 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 parent company 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 parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Investments in a Subsidiary and an Associate
The Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in a subsidiary and an associate. The Company determines at each financial reporting date whether there is any objective evidence that these investments are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the subsidiary and associate and its respective acquisition costs and recognizes the impairment in the parent company statement of income.

Provisions
Provisions, if any, are recognized when the Company 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 Company 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 parent company 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, carry forward 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 carry forward 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 as of the reporting 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.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT, which is presented as part of "Other current assets" in the balance sheet, is recognized as an asset and will be used to offset the Company's current output VAT liabilities and or applied for claim for tax refund. Input VAT is stated at its estimated NRV.

Output VAT
Output VAT represents VAT due on the Company's sale, lease or exchange of taxable goods or properties or services.

Common 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 Company 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 parent company balance sheet.

Foreign Currency Translations
Transactions in foreign currencies are recorded using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or financial statement date are credited to or charged against current operations.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 Company 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:

Sale of goods
Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyers and the amount of revenue can be measured reliably. Net sales is measured at the fair value of the consideration received, excluding sales taxes, discounts, returns and rebates, if any.

Service, 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 - Company as 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 parent company statement of income in accordance with the terms of the lease agreements.

Finance lease commitments - Company as lessee
Finance leases which transfer to the Company 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 parent company statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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 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 parent company financial statements but disclosed in the notes to parent company 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 Company's financial position at reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

Segment Reporting
For management purposes, the Company's operating segments are organized and managed separately according to the nature of the services offered. In 2010, the Company started to operate its IT resource services segment. Prior to 2010, the Company operates mainly in one reportable business segment. The Company 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 Company's identified operating segments, which are consistent with the segments reported in the BOD, which is the Company's Chief Operating Decision Maker. Financial information on the operating segments are presented in Note 17.

4. Significant Accounting Judgements and Estimates

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

Judgments
In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the parent company financial statements.

Determining functional currency
Based on the economic substance of the underlying circumstances, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates and it is the currency that mainly influences the revenue and the cost of providing the services.

Operating lease commitment - Company as lessee
The Company has entered into a commercial property lease on its office. The Company 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 Company has entered into leases of transportation equipment. The Company has determined that these leases are finance leases since the significant risks and rewards of ownership related to these properties are transferred to the Company from the date of the lease agreement.

Estimation of Uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk causing material adjustments to the carrying amounts of the assets and liabilities within the next financial years are discussed below:

Estimating allowance for impairment losses of loans and receivables
The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company 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. The Company recognized provision on impairment loss on receivables amounting to ₱888,958 and ₱909,880 in 2013 and 2012 respectively (see Note 5).

Loans and receivables amounted to ₱107,504,583and ₱93,854,041 as of December 31, 2013 and 2012, respectively (see Note 16).

Estimating useful lives of property and equipment
The Company 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 Company reviews annually the estimated useful lives of the property and 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, 2013 and 2012, the carrying amounts of property and equipment amounted to ₱10,195,825 and ₱15,395,638, respectively (see Note 8).

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 five years as well as the terminal value at the end of five 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, 2013 and 2012 (see Note 7).

Estimating realizability of deferred income tax assets
The Company reviews the carrying amounts of deferred income tax assets at each reporting 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 Company will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

In 2013 and 2012, the Company did not recognize deferred income tax assets amounting to ₱206,018,323 and ₱188,071,773 on temporary differences and carryforward benefits of unused NOLCO and unused tax credits from excess MCIT (see Note 14). The Company believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Impairment of nonfinancial Assets
Internal and external sources of information are reviewed at each reporting date to identify indications that the Company'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 Company 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 Company 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, 2013 and 2012, the Company recognized provision on impairment loss on investments amounting to nil and ₱13,906,473, respectively (see Note 7).

As of December 31, 2013 and 2012, the carrying values of nonfinancial assets comprised of property and equipment, other current assets, investments and advances and other noncurrent assets amounted to ₱1,342,011,888 and ₱1,345,183,972, respectively (see Notes 6, 7 and 8).

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 Company's parent company statements of comprehensive

income and changes in parent company equity. The fair values of financial assets and liabilities are set out in Note 16 to the financial statements.

5. Trade and Other Receivables

	2013	2012
Trade:		
Related party (see Note 10)	**₱23,176,937**	₱15,188,008
Third party	**5,991,444**	8,560,624
Advances to officers and personnel	**2,132,045**	2,878,358
Others (see Notes 7 and 10)	**2,211,771**	2,367,772
	33,512,197	28,994,762
Less allowance for impairment loss	**2,463,441**	1,574,483
	₱31,048,756	₱27,420,279

Trade and nontrade receivables from third parties are noninterest-bearing and are generally on 30 to 60 days' term.

Trade receivables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

Others pertain to loan receivable from a related party which is unsecured and are to be settled upon demand.

Movements in allowance for impairment losses are as follows:

	2013	2012
Balance as at January 1	**₱1,574,483**	₱664,603
Provision for the year	**888,958**	909,880
Balance as at December 31	**₱2,463,441**	₱1,574,483

6. Other Current Assets

	2013	2012
Prepayments	**₱2,157,675**	₱2,274,602
Input VAT - net	**1,066,779**	1,996,067
Others	**336,902**	259,158
	₱3,561,356	₱4,529,827

7. Investments and Advances

Investments

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. 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. As of December 31, 2013 and 2012, investment in Softrigger has been fully-impaired.

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

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

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.

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 21, 2010, the Company 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.

On March 17, 2011, the Company's BOD confirmed/ratified the establishment of the Company's wholly-owned subsidiary named 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.

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 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.

On August 15, 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 is the recruitment and placement of workers in the Philippines.

As of December 31, 2013 and 2012, the components of the carrying amounts of investments accounted for under the cost method are as follows:

	2013	2012
Cost:		
Balance at beginning of year	**₱33,034,131**	₱32,534,131
Additions	**–**	500,000
Balance at end of year	**33,034,131**	33,034,131
Allowance for impairment losses:		
Balance at beginning of year	**26,323,275**	12,416,802
Provision for impairment losses	**–**	13,906,473
Balance at end of year	**26,323,275**	26,323,275
	₱6,710,856	₱6,710,856

On December 27, 2013, the Company advanced ₱3,000,000 to I-Resource to pay up the Company's subscription of 110,000 shares at ₱100 per share on the proposed increase in authorized capital stock of I-Resource by ₱11,000,000 from ₱1,000,000 to ₱12,000,000 or increase by 110,000 shares at ₱100 per share from 10,000 shares at ₱100 per share to 120,000 shares at ₱100 per share. The proposed increase in authorized capital stock was approved by the SEC on April 2, 2014.

As of December 31, 2013 and 2012, advances to an associate amounted to ₱5,000,000. This pertains to deposits for future stock subscriptions in Softweb pending the latter's increase in authorized capital stock.

AFS Investment
The Company has an investment in NOW Telecom classified as AFS investment.

On April 28, 2006, the Company entered into a MOA with NOW Telecom and five controlling stockholders of NOW Telecom namely, Top Mega, Joycelink, GHI, EII, Food Camp (the five companies collectively known as NOW Telecom 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 NOW Telecom shares owned and controlled by the NOW Telecom stockholders. The agreed upon swap of shares was subject to certain conditions, including necessary corporate and regulatory approvals. The MOA was approved by the 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 NOW Telecom and not 97%, as originally intended. As a result, NOW Telecom stockholders will transfer to the Company 2,656,580 NOW Telecom 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 NOW Telecom share.

To comply with the provisions of the amended MOA, the Company increased its authorized capital stock to accommodate the foregoing transaction (see Note 13).

In September 2006, the SEC issued Certificate of Approval of Valuation of shares of stock of NOW Telecom and Certificate of Increase in capital stock of the Company.

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 NOW Telecom shareholders.

As of December 31, 2013 and 2012, the Company's investment in NOW Telecom amounted to ₱1,289,278,350.

Deposits for Future Stock Subscriptions
The Company entered into agreements with Thumbmob and Holy Cow for the subscription of Thumbmob and Holy Cow shares amounting to ₱14,344,868 and ₱9,004,163 in 2013 and 2012, respectively. These are currently recorded under "Other noncurrent assets" in the parent company balance sheets pending the increase in the authorized capital stock of the investee companies. The Investment and Subscription Agreement with Thumbmob is subject to the confirmation by the Board of Directors of the Company.

In addition, the Company has an outstanding loan and interest receivable from Holy Cow amounting to ₱2,211,771 and 2,367,772 as of December 31, 2013 and 2012 (see Note 5).

8. Property and Equipment

<u>As of December 31, 2013</u>

	Office Equipment	Transportation Equipment	Leasehold Improvements	Furniture and Fixtures	**Total**
Cost:					
Beginning balances	₱5,308,350	₱15,169,919	₱4,254,130	₱558,393	**₱25,290,792**
Additions	327,342	–	–	200,893	**528,235**
Disposals	–	–	(690,630)	(29,087)	**(719,717)**
Reclassification	237,790	–	(237,790)	–	**–**
Ending balances	5,873,482	15,169,919	3,325,710	730,199	**25,099,310**
Accumulated depreciation:					
Beginning balances	2,979,259	5,905,549	900,493	109,853	**9,895,154**
Depreciation	1,756,747	3,150,483	659,328	111,466	**5,678,024**
Disposals	–	–	(660,482)	(9,211)	**(669,693)**
Ending balances	4,736,006	9,056,032	899,339	212,108	**14,903,485**
Net book value	₱1,137,476	₱6,113,887	₱2,426,371	₱518,091	**₱10,195,825**

As of December 31, 2012

	Office Equipment	Transportation Equipment	Leasehold Improvements	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱2,517,005	₱15,169,919	₱664,084	₱296,143	₱18,647,151
Additions	2,791,345	–	3,590,046	262,250	6,643,641
Ending balances	5,308,350	15,169,919	4,254,130	558,393	25,290,792
Accumulated depreciation:					
Beginning balances	1,114,976	2,748,184	448,520	29,248	4,340,928
Depreciation	1,864,283	3,157,365	451,973	80,605	5,554,226
Ending balances	2,979,259	5,905,549	900,493	109,853	9,895,154
Net book value	₱2,329,091	₱9,264,370	₱3,353,637	₱448,540	₱15,395,638

Cost of fully depreciated assets still in use amounted to nil and ₱925,725 as of December 31, 2013 and 2012, respectively.

9. Accounts Payable and Accrued Expenses

	2013	2012
Trade and other payables:		
Third parties	**₱30,039,149**	₱12,914,275
Related parties (Note 10)	**2,035,055**	2,035,055
Accrued interest	**59,903,586**	59,903,586
Accrued expenses	**3,851,803**	3,181,082
Deferred output VAT	**1,180,314**	736,200
Withholding tax	**601,076**	492,059
	₱97,610,983	₱79,262,257

Trade payables from third parties are noninterest-bearing and are generally on 30 to 60 days' term.

Trade and nontrade payables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

10. 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 Company 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 NOW Telecom to the Company's clients for a period of three years until May 2008. In consideration thereof, the Company billed NOW Telecom ₱5,000,000 in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NOW Telecom'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 NOW Telecom. In 2006, the Company billed NOW Telecom ₱3,100,000 for its services.

Amounts owed by NOW Telecom as of December 31, 2013 and 2012 amounted to ₱18,096,538 and ₱18,056,812, 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. Interest was reduced by the parties to 5.5% per annum in 2007 and shall be subject to annual repricing subsequent to 2007.

   On June 25, 2010, both parties agreed to extend the maturity of the loan from August 30, 2010 to August 30, 2012. On August 31, 2012, both parties agreed to extend the maturity of the loan up to August 30, 2015, with the interest rate further reduced to 3% per annum starting January 1, 2013. Interest income amounted to ₱467,033 in 2013 and ₱934,065 in 2012 and 2011. As of December 31, 2013 and 2012, amounts owed by IBI amounted to ₱25,629,612 and ₱25,162,579, respectively.

   IBI is under common ownership with the Company.

c. In 2008, the Company entered into a Sub-Lease Agreement (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 until December 31, 2011. Rental expense charged to operations amounted to ₱2,482,061 in 2011.

   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. 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. The lease ended on October 2011 and the Company moved to another office space.

   Amounts owed to EII amounted to ₱2,902,918 as of December 31, 2013 and 2012. Outstanding liability to EII are due and demandable.

   EII is a stockholder of the Company.

d. On July 16, 2010, the Company entered into a service agreement with Knowledge Professional Service Coopertaive (KPSC) for a period of one year, beginning July 16, 2010 to July 15, 2011, extended up to July 15, 2012. On June 7, 2012, the Company entered into another service agreement with KPSC for a period of 2 years beginning July 16, 2012 to July 15, 2014. KPSC provides consultancy and manpower services depending on the services specifically required by the Company.

   As of December 31, 2013 and 2012, the Company has no outstanding payable to KPSC. KPSC has cooperators who are also stockholders of the Company.

e. Amounts owed to related parties include interest-bearing advances from Velarde, Inc. for working capital and investment requirements. These advances are due and demandable. Interest rate for these loans is at 18% 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. In accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, the Company calculated for the effective interest rate during the periods of deferral. Accretion/interest expense was recognized in the statements of income using the effective interest rate. Interest expense amounted to ₱19,606,523 and ₱37,584,021 in 2013 and 2012, respectively. Outstanding accrued interest amounted to ₱79,510,109 and ₱59,903,586 as of December 31, 2013 and 2012, respectively.

   Net amounts owed to Velarde, Inc. amounted to ₱349,023,354 and ₱272,558,399 as of December 31, 2013 and 2012, respectively.

f. The Company charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees amounted to ₱4,800,000 and ₱240,000, respectively, for the years ended December 31, 2013 and 2012, respectively.

g. The Company entered into a loan agreement with Porteon. The principal amount is US$50,000.

Below is a summary of significant transactions and balances with related parties:

Related parties	Category	Amount	Amounts owed by related party	Trade and other Receivables	Amounts owed to related party	Trade and Other Payables	Terms	Conditions
Shareholders								
GHI	**Advances 2013**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,035,055**	**On demand**	**Unsecured**
	2012	2,035,055	–	–	–	2,035,055	On demand	Unsecured
Velarde, Inc.	**Advances 2013**	**76,464,955**	–	–	**349,023,354**	–	**On demand**	**Unsecured**
	2012	67,003,980	–	–	272,558,399	–	On demand	Unsecured
	Management fees							
	2013	**240,000**	–	**720,000**	–	–	**On demand**	**Unsecured, no impairment**
	2012	240,000	–	480,000	–	–	On demand	Unsecured, no impairment
EII	**Advances 2013**	–	**6,140**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	6,140	6,140	–	–	–	On demand	Unsecured, no impairment
	Lease 2013	–	–	–	**2,902,918**	–	**On demand**	**Unsecured**
	2012	–	–	–	2,902,918	–	On demand	Unsecured
Affiliates								
NOW Telecom (formerly NMI)	**Advances 2013**	**39,936**	**18,096,538**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	4,751,619	18,056,812	–	–	–	On demand	Unsecured, no impairment
KPSC	**Advances 2013**	**(549,967)**	**202,503**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	(105,000)	752,470	–	–	–	On demand	Unsecured, no impairment
	Services 2013	**43,010,847**	–	–	–	–	**On demand**	**Unsecured**
	2012	56,233,241	–	–	–	–	On demand	Unsecured
AIJC	**Advances 2013**	**163,554**	**705,911**	–	–	–	**On demand**	**Unsecured, no impairment**
	2012	511,858	542,358	–	–	–	On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Amount	Amounts owed by related party	Trade and Other Receivables	Amounts owed to related party	Trade and Other Payables	Terms	Conditions
JSIT	**Advances 2013**	**₱920,728**	**₱4,644,684**	**₱–**	**₱–**	**₱–**	**On demand**	**Unsecured, no impairment**
	2012	2,706,401	3,723,956	–	–	–	On demand	Unsecured, no impairment
Porteon Electric Vehicles, Inc.	**Loans 2013**	**–**	**2,160,300**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	2,160,300	–	–	–	On demand	Unsecured, no impairment
IBI	**Advances 2013**	**–**	**15,567,752**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	15,567,752	–	–	–	On demand	Unsecured, no impairment
	Interest 2013	**467,033**	**10,061,860**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	934,065	9,594,827	–	–	–	On demand	Unsecured, no impairment
Holycow	**Loans 2013**	**–**	**–**	**2,211,771**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	178,772	–	2,211,771	–	–	On demand	Unsecured, no impairment
	Interest 2013	**–**	**156,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	156,000	–	156,000	–	–	On demand	Unsecured, no impairment
Paradiso Verde	**Advances 2013**	**101,147**	**101,147**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	–	–	–	–	On demand	Unsecured, no impairment
Subsidiaries								
Porteon	**Advances 2013**	**–**	**3,443**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	3,443	–	–	–	On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Amount	Amounts owed by related party	Trade and Other Receivables	Amounts owed to related party	Trade and Other Payables	Terms	Conditions
I-Resource	**Advances 2013**	**₱3,171,946**	**₱6,563,223**	**₱–**	**₱–**	**₱–**	**On demand**	**Unsecured, no impairment**
	2012	736,166	3,391,277	–	–	–	On demand	Unsecured, no impairment
	Sales 2013	**3,466,713**	**3,466,713**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	–	–	–	–	On demand	Unsecured, no impairment
Softrigger	**Advances 2013**	**158,110**	**7,187,697**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	854,770	7,029,587	–	–	–	On demand	Unsecured, no impairment
	Management fees							
	2013	**–**	**–**	**2,452,800**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	1,095,000	–	2,452,800	–	–	On demand	Unsecured, no impairment
Softweb	**Advances 2013**	**1,636,017**	**5,690,377**	**–**	**27,834**	**–**	**On demand**	**Unsecured, no impairment**
	2012	7,269,542	4,054,360	–	–	–	On demand	Unsecured, no impairment
	Loans 2013	**–**	**714,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	714,000	–	–	–	On demand	Unsecured, no impairment
	Sales 2013	**20,486,141**	**–**	**9,193,463**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	17,159,155	–	6,244,535	–	–	On demand	Unsecured, no impairment
	Management fees							
	2013	**4,800,000**	**–**	**10,790,000**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	4,800,000	–	5,990,000	–	–	On demand	Unsecured, no impairment
I-Professional	**Advances 2013**	**–**	**–**	**20,674**	**450,000**	**–**	**On demand**	**Unsecured, no impairment**
	2012	429,326	–	20,674	450,000	–	On demand	Unsecured, no impairment
Total	**2013**		**₱75,328,288**	**₱25,388,708**	**₱352,404,106**	**₱2,035,055**		
	2012		₱65,597,282	₱17,555,780	₱275,911,317	₱2,035,055		

11. Lease Commitments

The Company purchased transportation equipment through four-year financing agreements which are payable on a monthly basis. The Company recognized the obligation and pays to Velarde, Inc. (see Note 10). 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 Company for the obligations under finance lease as of December 31, 2013 and 2012 are as follows:

	2013	2012
Within one year	**₱3,260,830**	₱3,682,332
After one year but not more than five years	**701,747**	3,962,578
Total minimum lease obligations	**3,962,577**	7,644,910
Less interest portion	**278,673**	884,380
Present value of minimum lease obligations	**3,683,904**	6,760,530
Less current portion	**3,008,471**	3,076,625
Noncurrent portion	**₱675,433**	₱3,683,905

12. 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 third party.

On December 9, 2013, the bank has approved the conversion of the short-term loans totaling to ₱44,500,000 into a two-year term loan. The principal balance of the loan is payable on January 19, 2016.

The loans are short-term, bear interest at floating effective interest rates ranging from 2.08% to 3.8% and 2.79% to 3.80% in 2013 and 2012, respectively. Interest is payable every 30 days.

Interest expense amounted to ₱1,987,981, ₱265,619 and nil in 2013, 2012 and 2011, respectively.

13. 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 Company issued the additional 1,289,278,350 shares at par value in exchange for the 2,656,580 shares of NOW Telecom (see Note 7).

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, 2013, the proposed increase in authorized capital stock is pending implementation and application with the SEC.

14. Income Taxes

The Company has no provision for current income tax in 2013 because of its gross loss and net taxable loss position. The provision for income tax represents MCIT in 2012 and 2011.

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

	2013	2012	2011
Statutory income tax at 30%	**(₱25,584,777)**	(₱40,409,936)	(₱33,237,235)
Tax effects of:			
Unrecognized deferred income tax assets on:			
NOLCO and MCIT	**14,023,567**	23,641,022	23,546,060
Allowance for impairment losses	**266,687**	272,964	199,381
Unrealized foreign exchange loss	**18,089**	54,017	–
Provision for impairment loss on investments	**–**	4,171,942	2,366,525
Unallowable EAR	**292,037**	869,802	632,133
Nondeductible interest expense	**10,914,503**	11,552,622	6,413,055
Interest income subjected to final tax	**(807)**	(1,406)	(2,595)
Final tax on interest income	**479**	937	1,730
Others	**74,065**	51,538	185,735
	₱3,843	₱203,502	₱104,789

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

	2013	2012	2011
NOLCO	**₱203,005,540**	₱185,990,669	₱107,862,479
Allowance for impairment losses	**2,463,441**	1,574,483	664,603
MCIT	**308,987**	326,563	123,998
Unrealized foreign exchange loss	**240,355**	180,058	–
	₱206,018,323	₱188,071,773	₱108,651,080

As of December 31, 2013, the Company has available NOLCO that can be claimed as deduction from future taxable income and MCIT that can be used against payment of regular income tax payable.

NOLCO

Year of Recognition	Availment Period	Amount	Applied	Expired	Balance
2010	2011-2013	₱29,719,142	₱–	₱29,719,142	₱–
2011	2012-2014	78,143,337	–	–	78,143,337
2012	2013-2015	78,128,190	–	–	78,128,190
2013	2014-2016	46,734,013	–	–	46,734,013
Total		₱232,724,682	₱–	₱29,719,142	₱203,005,540

MCIT

Year of Recognition	Availment Period	Amount	Applied	Expired	Balance
2010	2011-2013	₱20,939	₱–	₱20,939	₱–
2011	2012-2014	103,059	–	–	103,059
2012	2013-2015	202,565	–	–	202,565
2013	2014-2016	3,363	–	–	3,363
Total		₱329,926	₱–	₱20,939	₱308,987

15. Basic/Diluted EPS

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

	2013	2012	2011
Net income (loss) (a)	**(₱85,286,431)**	(₱134,903,290)	(₱110,895,571)
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 EPS (a/b)	**(₱0.0647)**	(₱0.1024)	(₱0.0842)

For the three years in the period ended December 31, 2013, there were no shares of stock that have a potentially dilutive effect on the basic EPS of the Company.

16. Financial Instruments

The Company'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, obligations under finance lease and loans payable.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company'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 Company's activities.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company is not exposed to cash flow interest rate risk since a significant portion of the Company's due from affiliates 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 Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's credit standing.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2013 and 2012, based on contractual undiscounted cash flows. The tables also analyze the maturity profile of the Company'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, 2013

	On demand	**Within 1 year**	**More than 1 year**	**Total**
Financial liabilities:				
Accounts payable and accrued expenses*	₱65,790,444	₱30,039,149	₱–	₱95,829,593
Amounts owed to related parties	3,380,752	–	349,023,354	352,404,106
Future interest on loans payable	–	941,175	1,019,606	1,960,781
Loans payable	–	–	44,500,000	44,500,000
Obligations under finance lease	–	3,008,471	675,433	3,683,904
Total undiscounted financial liabilities	69,171,196	33,988,795	395,218,393	498,378,384
Financial assets:				
Cash	1,167,539	–	–	1,167,539
Trade and other receivables	27,520,753	3,528,003	–	31,048,756
Amounts owed by related parties	75,328,288	–	–	75,328,288
AFS investment	–	–	1,289,278,350	1,289,278,350
Total undiscounted financial assets	104,016,580	3,528,003	1,289,278,350	1,396,822,933
Net undiscounted financial asset (liability)	₱34,845,384	(₱30,460,792)	₱894,059,957	₱898,444,549

**Except government payables*

December 31, 2012

	On demand	Within 1 year	More than 1 year	Total
Financial liabilities:				
Accounts payable and accrued expenses*	₱65,119,723	₱12,914,275	₱–	₱78,033,998
Amounts owed to related parties	3,352,918	–	272,558,399	275,911,317
Loans payable	40,500,000	–	–	40,500,000
Obligations under finance lease	–	3,076,625	3,683,905	6,760,530
Total undiscounted financial liabilities	108,972,641	15,990,900	276,242,304	401,205,845
Financial assets:				
Cash	876,480	–	–	876,480
Trade and other receivables	20,434,138	6,986,141	–	27,420,279
Amounts owed by related parties	65,597,282	–	–	65,597,282
AFS investment	–	–	1,289,278,350	1,289,278,350
Total undiscounted financial assets	86,907,900	6,986,141	1,289,278,350	1,383,172,391
Net undiscounted financial asset (liability)	(₱22,064,741)	(₱9,004,759)	₱1,013,036,046	₱981,966,546

**Except government payables*

The Company monitors its cash flow position through cash planning. The Company 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 Company.

All of the Company's financial liabilities other than the obligation under finance lease and noncurrent amounts owed to related parties are contractually due within one year.

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.

As of December 31, 2013 and 2012, the Company'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 Company using internal credit ratings. The Company considers its financial assets that are neither past due nor impaired amounting to ₱1,396,822,933 and ₱1,383,172,391 as of December 31, 2013 and 2012, respectively, as standard grade financial assets. Standard grade financial asset are those that are current and collectible.

The Company has impaired receivables amounting to ₱2,463,441 and ₱1,574,482 as of December 31, 2013 and 2012, 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.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Company's income before income tax.

	Increase (decrease) in basis points	**Effect on income before income tax**
2013	**10**	**₱22,250**
	(10)	**(22,250)**
2012	10	₱20,250
	(10)	(20,250)

Foreign Currency Risk
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to the changes in foreign exchange rate.

As part of the Company's risk management policy, the Company maintains monitoring of the fluctuations of foreign exchange rates. On borrowing, it is the Company's policy to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso.

The balance of financial assets and liabilities denominated in foreign currency translated in Philippine Peso are as follows:

	2013			
	In $	In Php	In ¥	In Php
Financial Assets				
Cash	$698	₱30,990	¥–	₱–
Receivables	151,369	6,720,039	–	–
Due from related parties	–	–	10,957,028	4,644,684
	$152,067	₱6,751,029	¥10,957,028	₱4,644,684
Financial Liability				
Payables	17,708	786,136	–	–
Net Exposure	$134,359	₱5,964,893	¥10,957,028	₱4,644,684

The prevailing rate of exchange as of December 31, 2013 are as follows:

Peso to US Dollar	: ₱44.395
Peso to Japanese Yen	: ₱0.424

The following table demonstrates the sensitivity to a reasonable possible change in exchange rates, with all other variables held in constant, of the Company's profit before income tax due to changes in fair value of monetary assets and liabilities.

2013	Appreciates (depreciates) by	Effect on income before income tax	
		In $	In ¥
	+5%	298,245	232,234
	-5%	(298,245)	(232,234)

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 and amounts owed to related parties

The carrying amounts of cash, trade and other receivables, amounted owed by related parties, accounts payable and accrued expenses and current 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 and have no available bid price.

Noncurrent amounts owed to related parties

The fair value of noncurrent amounts owed to related parties is based on the discounted net present value of cash flows using effective interest rate of 3.23% and 3.80%, in December 31, 2013 and December 31, 2012, respectively. The fair value is categorized under level 3 valuation technique for fair value hierarchy

Loans payable
The fair value of loans payable is based on the discounted net present value of cash flow using effective interest rate of 2.16% as of December 31, 2013. The fair value is categorized under level 3 valuation technique for fair value hierarchy. The fair value of the loans payable as of December 31, 2012 approximates its fair value due to the short-term maturity.

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 0.01% to 2.08% in 2013 and 0.01% to 3.27% in 2012. The disclosed fair value is determined using Level 3 inputs.

Fair Value Hierarchy
The Company 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, 2013 and 2012, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2013

	Total	**Level 1**	**Level 2**	**Level 3**
Disclosed at fair value:				
Amounts owed by related parties	**₱274,783,839**	**₱–**	**₱–**	**₱274,783,839**
Loans payable	**42,531,087**	**–**	**–**	**42,531,087**
Obligations under finance lease	**3,940,163**	**–**	**–**	**3,940,163**

December 31, 2012

	Total	Level 1	Level 2	Level 3
Disclosed at fair value:				
Amounts owed by related parties	₱225,538,017	₱–	₱–	₱225,538,017
Obligations under finance lease	7,486,695	–	–	7,486,695

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2013 and 2012. The Group has no financial instruments under Level 1 and Level 2.

Set out below is a the category all of the Company's financial instruments that are carried in the balance sheets

December 31, 2013

	Cash on hand	Loans and receivables	AFS investments	Other financial liabilities
Financial assets				
Cash	₱40,000	₱1,127,539	₱–	₱–
Trade and other receivable	–	31,048,756	–	–
Amounts owed by related parties	–	75,328,288	–	–
AFS investment	–	–	1,289,278,350	–
Financial liabilities				
Accounts payable and accrued expenses*	–	–	–	95,829,593
Amounts owed to related parties	–	–	–	352,404,106
Obligations under finance lease	–	–	–	3,683,904
Loans payable	–	–	–	44,500,000
Total	**₱40,000**	**₱107,504,583**	**₱1,289,278,350**	**₱496,417,603**

**Except government payables*

December 31, 2012

	Cash on hand	Loans and receivables	AFS investments	Other financial liabilities
Financial assets				
Cash	₱40,000	₱836,480	₱–	₱–
Trade and other receivable	–	27,420,279	–	–
Amounts owed by related parties	–	65,597,282	–	–
AFS investment	–	–	1,289,278,350	–
Financial liabilities				
Loans payable	–	–	–	40,500,000
Obligations under finance lease	–	–	–	6,760,530
Accounts payable and accrued expenses*	–	–	–	78,033,998
Amounts owed to related parties	–	–	–	275,911,317
Total	₱40,000	₱93,854,041	₱1,289,278,350	₱401,205,845

**Except government payables*

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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, 2013, 2012 and 2011.

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

	2013	2012
Capital stock	**₱1,317,278,350**	₱1,317,278,350
Deficit	**(365,920,872)**	(280,634,441)
	₱951,357,478	₱1,036,643,909

17. **Business Segment Information**

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

- IT resource services segment - provides high value ICT services to clients
- Holding /others segment - pertains to the investment and administrative operations of the Parent Company

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:

	2013		
	IT Resource Services	**Holding/Others**	**Total**
Service, marketing, management and consultancy fees	**₱–**	**₱43,988,185**	**₱43,988,185**
Interest income	**–**	**469,723**	**469,723**
Total revenue	**₱–**	**₱44,457,908**	**₱44,457,908**
Provision for income tax	**₱–**	**₱3,842**	**₱3,842**
Net loss	**–**	**85,282,589**	**85,282,589**
Other information:			
Investments and advances	**–**	**1,303,989,206**	**1,303,989,206**
Capital expenditures	**1,518,394**	**8,677,431**	**10,195,825**
Segment assets	**874,388**	**1,448,682,083**	**1,449,556,471**
Segment liabilities	**–**	**498,198,993**	**498,198,993**
Depreciation and amortization	**881,529**	**5,069,445**	**5,950,974**

	2012		
	IT Resource Services	Holding/Others	Total
Service, marketing, management and consultancy fees	₱–	₱29,734,974	₱29,734,974
Interest income	–	1,120,751	1,120,751
Total revenue	₱–	₱30,855,725	₱30,855,725
Provision for impairment losses	₱–	₱13,906,473	₱13,906,473
Provision for income tax	–	203,502	203,502
Net loss	5,745,089	129,158,201	134,903,290
Other information:			
Investments and advances	–	1,300,989,206	1,300,989,206
Capital expenditures	4,303,090	11,092,548	15,395,638
Segment assets	1,262,812	1,437,815,201	1,439,078,013
Segment liabilities	141,438	402,292,666	402,434,104
Depreciation and amortization	878,015	4,908,034	5,786,049

	2011		
	IT Resource Services	Holding/Others	Total
Service, marketing, management and consultancy fees	₱16,452,289	₱3,889,372	₱20,341,661
Interest income	2,926	1,845,953	1,848,879
Total revenue	₱16,455,215	₱5,735,325	₱22,190,540
Provision for impairment losses	₱–	₱7,888,415	₱7,888,415
Provision for income tax	–	104,789	104,789
Net loss	21,771,328	89,124,243	110,895,571
Other information:			
Investments and advances	–	1,314,395,679	1,314,395,679
Capital expenditures	3,404,610	10,901,613	14,306,223
Segment assets	6,962,282	1,419,579,187	1,426,541,469
Segment liabilities	558,147	254,436,123	254,994,270
Depreciation and amortization	342,137	3,661,097	4,003,234

18. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which amends certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosures of taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following type of taxes in 2013:

Value Added Tax

Output VAT

	Gross Receipts	Output VAT
Taxable sales	₱25,838,256	₱3,100,591
Zero-rated sales	6,589,551	–
Balance at December 31	₱32,427,807	₱3,100,591

Zero-rated sales of services consist of export sales and those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

Input VAT

Balance at January 1	₱1,630,027
Current year's domestic purchases/payments for:	
Domestic purchase of goods other than capital goods	139,435
Importation of Goods other than capital goods	12,122
Domestic purchase of services	1,970,020
	3,751,604
Less application of output VAT and other adjustments	3,100,591
Balance at December 31	₱651,013

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the "Taxes and licenses" account in the parent company statement of income:

License and permits	₱306,030
Documentary stamp tax	240,805
Others	14,900
	₱561,735

Documentary stamp taxes pertains to loan instruments.

Withholding Taxes

Details of withholding taxes for the year are as follows:

Expanded withholding taxes	₱733,153
Final withholding taxes	479
	₱733,632

Tax Assessment and Cases
The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2013.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.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 ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
NOW Corporation
(Formerly Information Capital Technology Ventures, Inc.)
Unit 5-I, 5th Floor, OPL Builing
100 C. Palanca Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of NOW Corporation (formerly Information Capital Technology Ventures, Inc.) as at and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated April 28, 2014. 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 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. 4225232, January 2, 2014, Makati City

April 28, 2014

NOW CORPORATION
INDEX TO FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2013

Deficit, as adjusted to available for dividend distribution, beginning	(₱280,634,441)
Net loss during the year	(85,286,431)
Deficit	(₱365,920,872)

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2013

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, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	First-time Adoption of Philippine Financial Reporting Standards-Meaning of 'Effective PFRSs'	See footnote*		
	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			✓
	Share-based Payment-Definition of Vesting Condition	See footnote*		
PFRS 3 (Revised)	Business Combinations			✓
	Business Combinations: Accounting for Contingent Consideration in a Business Combination	See footnote*		
	Business Combinations-Scope Exceptions for Joint Arrangements	See footnote*		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
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 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 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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote*		
PFRS 8	Operating Segments	✓		
	Operating Segments-Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	See footnote*		
PFRS 9	Financial Instruments	See footnote*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote*		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments: Investment Entities	See footnote*		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments: Investment Entities	See footnote*		
PFRS 13	Fair Value Measurement	✓		
	Fair Value Measurement-Short-term Receivables and Payables	See footnote*		
	Fair Value-Measurement-Portfolio Exception	See footnote*		
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			✓

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Property, Plant and Equipment-Revaluation Method	See footnote*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	See footnote*		
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	✓		
	Related Party Disclosures-Key Management Personnel	See footnote*		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
	Amendments: Investment Entities	See footnote*		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments: Investment Entities			✓
PAS 28	Investments in Associates	✓		

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments: Investment Entities			✓
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	See footnote*		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	See footnote*		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Intangible Assets-Revaluation Method	See footnote*		
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 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			✓
	Amendments to PAS 39: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	See footnote*		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓

*Effective Subsequent to December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
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			✓

*Effective Subsequent to December 31, 2013