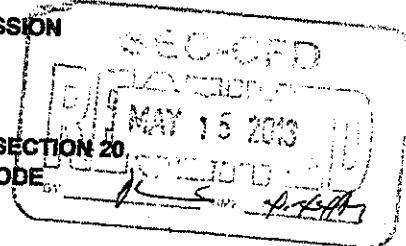




SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter Information Capital Technology Ventures, Inc.
3. METRO MANILA, PHILIPPINES  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number A1996-00179
5. BIR Tax Identification Code 004-668-224
6. Unit 5-I, 5<sup>th</sup> 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
7. Registrant's telephone number, including area code (0632) 750-0461; 750-0211; 750-0224
8. Date, time and place of the meeting of the security holders  
June 6, 2013, 10:00 am at the Ground Floor, Legaspi Room, Intercontinental Hotel Manila, No. 1 Ayala Avenue, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
May 16, 2013
10. In case of Proxy Solicitations: Not Applicable  
 Name of Person Filing the Statement/Solicitor: \_\_\_\_\_  
 Address and Telephone No.: \_\_\_\_\_
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
 

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>COMMON STOCK</u>	<u>1,317,278,350</u>
12. Are any or all of registrant's securities listed in a Stock Exchange?  
 Yes  No   
 If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
PHILIPPINE STOCK EXCHANGE COMMON STOCK

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders.**

The Annual Stockholders' meeting of Information Capital Technology Ventures, Inc. ("ICTV" or the "Company") will be held at 10:00 am on June 6, 2013, at the Ground Floor, Legaspi Room, Intercontinental Hotel Manila, No. 1 Ayala Avenue, Makati City. The Record Date for the Annual Stockholders' meeting is set on April 30, 2013.

The complete mailing address of the Company is Unit 5-1, 5<sup>th</sup> Floor, OPL Building, 100 C. Palanca St. corner dela Rosa and Gil Sts., Legaspi Village, Makati City 1229.

The approximate date when this information statement is first to be sent to the Company's stockholders is May 16, 2013.

**Item 2. Dissenters' Right of Appraisal**

In the event that any security holder shall vote against any corporate action enumerated under Section 81 of the Corporation Code on Appraisal Rights, such security holder may exercise his appraisal rights, in accordance with the procedures and requirements under Sections 82 to 86 of the Corporation Code.

The matters to be acted upon at the Annual Stockholders' meeting as specified in the attached Notice of Stockholders' Meeting are not such as will entitle a dissenting stockholder to exercise his appraisal right.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Any holder of substantial interest, direct or indirect, or person who has been a director or officer of the registrant at any time since the beginning of the last fiscal year, or each nominee for election as a director of the registrant, or each associate of any of the foregoing persons, shall be properly heard and noted.

The registrant is not aware of any substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any matter to be acted upon, other than election to office:

1. Each person who has been a director or officer of the registrant at any time since the beginning of the last fiscal year;
2. Each nominee for election as a director of the registrant;
3. Each associate of any of the foregoing persons.

No director of the registrant has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- a. Number of Common Shares Outstanding as of March 31, 2013: 1,317,278,350 shares.
- b. As of March 31, 2013, there are 472,260,533 common shares owned by foreigners, or 35.85%.

- c. Stockholders of record of the Company as of April 30, 2013 shall be entitled to notice of, and to vote at the Annual Stockholders' Meeting, on a one-share-one vote basis. No director has cumulative voting rights. No discretionary authority for solicitation of cumulative voting may be exercised.

Attached hereto as ANNEX "A" is the Notice of the 2013 Annual Stockholders' Meeting.

- d. Security Ownership of Certain Record and Beneficial Owners and Management

- i. Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of March 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, Central Hong Kong	Direct	Chinese	377,035,951	28.6223%
Common	PCD NOMINEE CORP.	Direct	Filipino	266,377,735	20.2218%
Common	Gamboa Holdings, Inc. 2244 España Ave., Mla.	Direct	Filipino	259,388,483	19.6912%
Common	Emerald Investments, Inc. 2244 España Ave., Mla.	Direct	Filipino	223,787,616	16.9886%
Common	Foodcamp Industries & Marketing, Inc. 2244 España Ave., Mla.	Direct	Filipino	91,985,296	6.9830%
Common	Joyce Link Holdings, Limited 11/F Fortune House 61 Connaught Road Central, Central Hong Kong	Direct	British	86,458,552	6.5634%

The shares of the above shareholders will be voted by the following people during the shareholders meeting of ICTV:

Gamboa Holdings, Inc. – Mr. Mel V. Velarde  
 Emerald Investments, Inc. – Mr. Patricio S. Carlos  
 Foodcamp Industries & Marketing, Inc. – Ms. Leticia C. Bello  
 Top Mega Enterprises, Limited – Mr. Romeo C. Escobar, Jr.  
 Joyce Link Holdings, Limited – Mr. Kristian Noel A. Pura

- ii. Security Ownership of Directors and Management as of March 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	Position	Citizenship	Amount and Nature of Beneficial Ownership	Percent of Class
Common	Thomas G. Aquino	Chairman	Filipino	1 (Direct)	<.01
Common	Mel V. Velarde	President	Filipino	10 (Direct)	<.01
Common	Wilfred S. Racadio	Member of the BOD	Filipino	1 (Direct)	<.01
Common	Jose S. Alejandro	Member of the BOD	Filipino	10 (Direct)	<.01
Common	Marcelito R. Ordóñez	Member of the BOD	American	1 (Direct)	<.01
Common	Veronica T. Merk	Member of the BOD	Filipino	10 (Direct)	<.01
Common	Winnita V. Ysog (formerly	Member of the BOD	Filipino	1 (Direct)	<.01

	Winnita V. Rosero)				
Common	Vicente Martin W. Araneta III	Member of the BOD	Filipino	1 (Direct)	<.01
Common	Florangel Z. Rosario-Braid	Member of the BOD	Filipino	1 (Direct)	<.01
Common	Gerard Bnn R. Bautista	Member of the BOD	Filipino	1 (Direct)	<.01
Common	Angeline L. Macasaet	Corporate Secretary, Member of the BOD	Filipino	1 (Direct)	<.01
Common	Patricio S. Carlos	Treasurer	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.

iii. Voting Trust Holders of 5% or More

The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

iv. Changes in Control

There are no arrangements which may result in a change in control of the Company. Please see also Annex "B".

e. No proxy solicitation is being made. No change in control of the Company has occurred since the beginning of the last fiscal year.

**Item 5. Directors and Executive Officers**

**a. Information required of Directors and Executive Officers**

**i. Directors and Officers**

*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 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 81, Filipino.* 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 Hildegard Awards for Outstanding Women in Media and Communication by St. Scholastica's College.

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

**Wilfred S. Racadio**, age 50, Filipino, Director, served as a member of the Board of Directors from 2005 to January 2007 and from January 2008 to present. He was the Treasurer of the Company from 2005 to June 2006, when he was elected President to serve as such until January 2007 when he resigned the position. He was again elected as President of the Company on January 2008 and served as such until June 2011. He also served as Chief Finance Officer and Board Member of Next Mobile, Inc. He has 20 years experience in investment banking, commercial law, finance, and audit. He worked and held key management positions in various companies such as AACTC, Sycip Salazar Hernandez & Gatmaitan Law Offices, Sycip Gorres Velayo & Co. (SGV), and the University of the Philippines. He is the President and member of the Board of AGV-Phil-I, Inc. He is a Certified Public Accountant and a Lawyer. He obtained his Bachelor of Laws and Bachelor of Science in Business Administration and Accountancy from the University of the Philippines.

**Jose S. Alejandro**, age 77, Filipino, Director, served as Chairman of the Board of Directors of the Company on June 2, 2006 until March 22, 2007 when he resigned from said position and was elected as the Company's President. He served as President until January 21, 2008. Mr. Alejandro has also been a Member of the Board of Directors of Next Mobile, Inc. since 1989 and he now serves as the Board's Vice-Chairman. He is a business and management professional and leader with over 25 years of corporate experience. He was the former President and CEO of East Asia Power Resources, a local publicly-listed independent power producer during the period of local economic crisis (1997-1999), Country Manager for the Power Systems Business of General Electric Co. (1987-1995), and Vice President - Marketing at GE Philippines, Inc. and General Manger of GE Appliance Co. In these capacities, he led the growth and success of this leading U.S. global diversified corporation in the Philippines. He holds degrees in A.B. and L.J.B. from the Ateneo De Manila University, and MBA credits likewise from Ateneo De Manila University and GE Management Institute in Croftonville, N.Y., U.S.A. Mr. Alejandro is a member of the Philippine Bar.

**Marcelito R. Ordonez**, age 59, 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 59, Filipino, Independent Director, was elected as such on June 2, 2011. She is the President of MerkMedia, Inc., a Multimedia and creative production company that produces Audio Post Productions, AVPS, Commercials, Music Video, Music Recording, Video Editing and Talent Management. She is also the President and CEO of Laurel Media and a consultant of Media and Public Relations. She is a Director of Pearl S. Buck Foundation. She is also the Chairman and Director of the Music Competitions for Young Artists Foundation, Inc. She holds key positions in Prime Asia Magazine and Pinoy Global Access. She has held various key positions in the Corporate Communications Department, Office of the President; BPI Foundation, Inc; Bank Marketing Association of the Philippines; Ayala Now and, the Ayala Group of Companies. She is a Member and Board Advisor of the International Association of Business Communicators.

**Winnita V. Ysog** (formerly Winnita V. Rosero), age 48, Filipino, Director, was elected as member of the Board of Directors on December 15, 2011. She served as Marketing Manager of Wizard Academy, a school which offered preparatory education. She also served as Managing Director of Altimax Broadcasting, Inc. In 2004, she served as Vice-Chairman of the Executive Committee and Vice-President of the Human Resource and Quality Administration of Next Mobile, Inc. In 2009, she ventured into the beauty and wellness business and set-up Vanilla

Spice. She is the President of Velarde, Inc. and Jonahs and Seths Holdings, Inc. She obtained her Bachelor of Science, Major in Tourism, in the University of the Philippines, Diliman, where she received an award of Proficiency in French. She also obtained her Masters in Management from the Asian Institute of Management, Makati City.

**Vicente Martín W. Araneta III, age 49, 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 1<sup>st</sup> 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 49, 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 40, 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, 45, 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, 40 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.

**Patricio S. Carlos, 51, Filipino, Treasurer.** He also serves as the Company's Vice President for Finance. Mr. Carlos has 25 years experience in Finance, with 15 years in the Telecommunications industry. He was elected as Treasurer of the Company on June 3, 2010 and served as such until December 16, 2010. He served as the Company's Vice President for Finance and Administration until April 2012, when the Administration functions were transferred to another department of the Company. His technical competencies in the different areas of finance were developed in San Miguel Corp. where he stayed for more than 7 years. He assumed progressively higher managerial and executive positions in Finance and Administration in Easycall Communications Phils., Inc., Bell Telecommunications Philippines, Inc. and Next Mobile, Inc. He Served as Vice President for the Finance Division of Bell Telecommunications Philippines, Inc. from January 2003 up to April 2007. He was also the Vice President for Finance and Administration of Next Mobile, Inc. from July 2008 up to December 2010. Mr. Carlos is a Certified Public Accountant. He obtained his Bachelor's degree in Accounting from the University of the East.

#### **Nominations to the Board**

There will be a regular election of directors and officers for the year 2013 to 2014. The Board shall create a Nomination Committee, which shall have at least three (3) voting members one (1) of whom must be independent or non-executive. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualification under Sec. 2.2.2.1 of the Manual on Corporate Governance.

The nomination procedure is in accordance with SRC Rule 38 on the requirements on nomination and election of independent directors.

#### **Nomination Committee**

The Chairman and Members of the Nomination and Election Committee are as follows:

Vicente Martin W. Araneta III - Chairman  
Mel V. Velarde - Member  
Veronica T. Merk - Member (Independent Director)

Mr. Mel V. Velarde, President of the Company, will nominate the candidate for independent directors. Mr. Velarde has no relationship with the nominated independent directors or to any directors or officers of the Company. The term of office of elected directors will be one (1) year.

The following were nominated as the regular Directors of the Company for the ensuing year:

Thomas G. Aquino	Florangel Z. Rosario-Braid
Mel V. Velarde	Angeline L. Macasaet
Jose S. Alejandro	Marcelito R. Ordonez
Gerard Bnn R. Bautista	Rodrigo H. Nepomuceno
Vicente Martin W. Araneta, III	

The following were nominated as Independent Directors for the ensuing year:

Veronica T. Merk	Marlou B. Ubano
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Attached as ANNEXES "C" and "D" are the Certifications of the Qualification of the Nominees for Independent Directors Ms. Veronica T. Merk and Atty. Marlou B. Ubano.

#### **Officers**

**Thomas G. Aquino, 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.)



**D. Enrique O. Co, age 44, Filipino, Legal Counsel**, served as Legal Counsel of ICTV 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. He is currently serving as Director and/or Corporate Secretary of several Philippine corporations. He is also the Managing Partner of Co Ferrer & Ang-Co Law Offices and an Associate Professorial Lecturer at Kalayaan College. Atty. Co obtained his BS Business Administration (*cum laude*) and Law Degrees from the University of the Philippines.

**ii. Involvement in Certain Legal Proceedings of Directors and Officers**

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

**iii. 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.

**iv. Family Relationship**

None of the Directors, Advisors and Executive Officers and Management employees/consultants is related up to the fourth civil degree of consanguinity or affinity.

**v. Involvement in Certain Legal Proceedings of the Registrant or its Subsidiaries/Affiliates**

There are no pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject thereof have occurred during the past five (5) years up to the latest date that are material to evaluation. Neither is the registrant involved in any proceedings known to be contemplated by government authorities and any other entity.

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

**b. Certain Relationships and Related Transactions (See Note 11 of 2012 Consolidated Financial Statements)**

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

Related Party	Nature of Relationship	Nature of Transaction	Elements of Transactions			
			Balance Sheet		Income Statement	
			2012	2011	2012	2011
IMX Broadband, Inc.	Associate	Loans & receivables	25,162,579	24,228,514		
		Interest income			1,090,065	1,309,446
Gamboa Holding Inc.		Payables	2,035,055			
Emerald Investments, Inc.	Stockholder	Payables	2,902,918	2,902,918		
		Rental				1,189,311
Next Mobile, Inc.	Associate	Receivable	18,017,022	13,265,403		
		Investment	1,289,278,350	1,289,278,350		
Velarde, Inc.	Stockholder	Payables	272,746,632	206,292,451		
Softweb Consulting, Inc.	Associate	Investments	3,076,725	3,076,725		

		Deposit for Future Subscription	5,000,000	5,000,000		
		Loans Receivable	500,000	500,000		
		Receivable	4,054,360	590,000		
		Payables	0	3,805,162		
Softrigger Interactive, Inc.	Associate	Investments	13,906,473	13,906,473		
		Loans Receivable	6,797,832	5,943,062		
		Accrued Interest Income				63,648
Holy Cow Animation, Inc.	Associate	Deposit for Future Subscription	6,000,000	6,000,000		
		Loans Receivable	2,211,771	2,033,000		
		Receivable	1,633,683			
		Investment	1,370,480	1,370,480		
		Accrued Interest Income				53,588
IResource	Associate	Receivable	3,391,277	2,655,112		
		Investment	250,000	250,000		
iProfessional	Associate	Investment	499,500	0		
		Payables	450,000	0		
ThumbMob	Associate	Investment	14,344,868	14,344,868		
Porteon	Associate	Investment	250,000	250,000		
		Receivable				
		Loan Receivable	2,160,300	2,160,300		
JSIT	Associate	Receivable	3,723,956	1,017,555		
		Investment	2,634,131	2,634,131		

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

In 2005, the Company entered into an agreement to promote and market the telecommunications services of Next Mobile, Inc. (NMI) to the Company's clients for a period of three (3) years until May 2008. In consideration thereof, the Company billed NMI P5.0 million in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NMI's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement was effective until October 2006. A success fee of Php850,000.00 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained would be paid by NMI. In 2006, the Company billed NMI P3.1 million for its services.

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.

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 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 Php400 to Php100 per square meter, for a total monthly rental of Php27,000. The parties shall annually review the monthly rental as prevailing circumstances may necessitate. On December 17, 2009, the parties further amended the Sub-Lease Agreement such that for the period January 01, 2010 to October 31, 2010, the Company shall pay monthly rental at the rate of Four Hundred Thirty Pesos and Twenty Centavos (Php431.20) per square meter, for a total monthly rental of Php235,590.40. For the period November 01, 2010 to October 31, 2011 the Company shall pay monthly rental at the rate of Four

Hundred Seventy Four Pesos and Thirty Two Centavos (Php474.32) per square meter, for a total monthly rental of Php259,149.48."

On November 17, 2008, Velarde, Inc. 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 Php600,000.00.

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.

In 2010, Velarde Inc., a stockholder of the Company gave non-interest bearing advances to the Company in the amount of Php60.1M to fund its working capital requirements and to finance its investments. Such advances may be used to pay for any additional subscription into ICTV in the future.

On November 08, 2012, the BOD of Velarde, Inc. agreed to enter into an agreement with the Company for the deferment of accrual of interest starting November 2012. Thus, no interest accrued starting November 2012.

On July 16, 2010, the Company entered into a service agreement with KPSC for a period of one (1) year, beginning July 16, 2010 to July 15, 2011. KPSC provides consultancy and manpower services depending on the requirements of the Company.

The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Company manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties

There are no parties to the transaction that fall outside the definition of "related parties" under SFAS/IAS No. 24 with whom the registrants have a relationship that enables the parties to negotiate terms of material transactions that may be not be available and from other independent parties.

#### c. Resignation of Directors

None of the members of Board of Directors resigned from the date of their election on June 7, 2012 up to April 30, 2013. No director has declined to stand for re-election to the Board of Directors since the date of the last annual shareholders' meeting because of a disagreement with BDO on any matter relating to BDO's operations, policies or practices.

#### Item 6. Compensation of Directors and Executive Officers

All members of the board of directors received per diem amounting to Php1,500.00 each for every attendance at a Board meeting or any meeting of the Board Committees. No stock warrants/ grants or stock options on the Company's share may be issued or given to the directors or executive officers as form of compensation for the services rendered. Below is the compensation summary for the Company. No bonus was provided for the years 2012 and 2011.

Year	Name & Principal Position	Aggregate Professional Fees
		As a group (Amounts in PhP)
For the year ending Dec.31, 2013 (Estimated)	Management Executives	19,963,746
	All Board of Directors	34,500
	Treasurer	None
	Bonus	None
For the year ending Dec.31, 2012	Management Executives	21,466,589
	All Board of Directors	34,500

	Treasurer	None
	Bonus	None
For the year ending Dec 31, 2011	Management Executives	27,175,000
	All Board of Directors	46,500
	Treasurer	6,000
	Bonus	None
For the year ending Dec 31, 2010	Management Executives	12,921,881
	All Board of Directors	43,500
	Treasurer	6,000
	Bonus	None

The executive officers of the Company have no employment contracts with the Company. Their terms of office expire upon their respective termination of office or resignation. The CEO and top four (4) most highly compensated Executive officers are Mel V. Velarde, Thomas G. Aquino, Angel Timoteo M. Diaz de Rivera, Alvy M. Raymundo and Rico Jay C. Sabino

#### Item 7. Independent Public Accountants

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

Representatives of SGV & Co. are expected to be present at the Annual Stockholders' Meeting where they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

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

The auditing firm of SGV & Co. has been the external auditor of the Company for the last five years. There have been three different partners in charge from 2001 to 2012. For the 2012 audit, the partner in charge was Ms. Leovina Mae V. Chu. The Company is in compliance with SRC Rule 68, paragraph 3(b)(IV) regarding compliance with the 5-year rotation of external auditor.

#### Audit Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for the audit of the Company's annual financial statements is Php150,000 for 2012 and Php110,000 for 2011 and Php70,000.00 for 2010.

Except for its review conducted in May 2009 of the Company's Statement of Active Business Pursuits and Objectives, 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.

The Company's Audit Committee recommended to the Board of Directors the appointment of SGV & CO. as its external auditor and the fixing of the audit fees. The stockholders ratified the resolution of the Board of Directors.

#### Audit Committee

The Chairman and Members of the Audit and Risk Management Committee are:

Winnita V. Ysog (formerly Winnita V. Rosero) – Chairperson  
 Florangel Z. Rosario-Braid – Member (Independent Director)  
 Gerard Bnn R. Bautista – Member

In compliance with Article 3 (K) of the Revised Code of Corporate Governance and SEC Memorandum Circular No. 4, Series of 2012, the Chairman of the Audit Committee for the ensuing year shall be an independent director.

**Item 8. Compensation Plans**

No action is to be taken by the Company with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

There is none.

**Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Company's securities or the issuance of authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

**Item 11. Financial and Other Information**

The audited financial statements as of December 31, 2012 and other data related to the Company's financial information are attached as ANNEX "E" and "F".

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action will be taken with respect to any transaction involving the following:

- a. the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
- b. the acquisition by the registrant or any of its security holders of securities of another person;
- c. the acquisition by the registrant of any other going business or of the assets thereof;
- d. the sale or other transfer of all or any substantial part of the assets of the registrant; or
- e. the liquidation or dissolution of the registrant.

**Item 13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up with respect to acquisition or disposition of any property by the Company.

**Item 14. Restatement of Accounts**

None.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following are included in the agenda of the Annual Stockholder's Meeting for approval of the Stockholders:

1. Minutes of the Annual Stockholders Meeting last June 7, 2012

The Minutes of the 2012 Annual Stockholders Meeting reflect the following:

- a. Approval of the Minutes of the Annual Stockholders' Meeting held on June 2, 2011
- b. President's Report
- c. Approval of the President's Report
- d. Election of Directors
- e. Ratification and Approval of the Acts of Management for 2011
- f. Appointment of Independent External Auditors

2. The Audited Financial Statement for 2012

Please see Annexes "E" and "F".

3. Other proposed Actions:

Actions will be taken to approve and ratify the acts of the Board of Directors and Management of the Company from the last annual meeting of stockholders held on June 7, 2013 up to the date of the annual meeting of stockholders on June 6, 2013. These acts were adopted in the ordinary course of business and include the election of corporate officers and committee members. Below is a summary of the acts of Management (including that of the Board of Directors and its Executive Committee) since the last Annual Meeting to date which will be submitted for approval and ratification by the stockholders:

a. Grant of authority to explore other sources of financing:

*"Resolved, as it is hereby resolved, to authorize the Company to explore other sources of financing. For this purpose, the Treasurer and the Corporate Secretary are likewise authorized to perform any and all acts in order to carry out the purposes of this resolution."*

- b. Election of officers and committee members;
- c. Treasury matters, including borrowing, opening of accounts and bank transactions;
- d. Approval of contracts, projects, and other acts which were disclosed to the PSE and SEC;
- e. Housekeeping matters including the appointment of signatories and amendments thereof, election of the members of the Board and the independent directors for the ensuing year.

**Item 16. Matters Not Required to be Submitted**

All matters or actions to be submitted in the meeting will require the vote of the security holders.

**Item 17. Amendment of Charter, By laws or Other Documents.**

Amendment of the Articles of Incorporation of the Company to reflect a change of Corporate Name will be taken up during the Annual Stockholders' Meeting. The proposed change in corporate name will accurately reflect the relevance of the Company's services to the current needs of its present and future clients. The amendment is foreseen not to have any negative effect on the Company's business.

**Item 18. Other Proposed Actions**

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.


**Item 19. Voting Procedures**

At least a majority of the outstanding capital stock of the Company shall be sufficient to carry the vote for matters submitted to a vote at the Annual Stockholders' Meeting. The manner of voting and counting votes will be as follows:

1. All outstanding stockholders as of record date of April 30, 2013 are entitled to vote, one to one, and shall have the right to vote. Atty. Angeline L. Macasaet, the Corporate Secretary, will count the votes cast.
2. For purposes of electing directors, cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder may have the option to cast all his votes in favor of one or distribute his votes among nominees. Only candidates nominated during the meeting shall be entitled to be voted.
3. Consistent with the provisions of the By-laws of the Company, voting need not be by ballot and will be done by show of hands, unless required by law, or upon motion by any of the stockholders.

#### UNDERTAKING TO PROVIDE ANNUAL REPORT

THE REGISTRANT UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST TO THE COMPANY ADDRESSED TO:

  
**ANGELINE L. MACASAET**  
Corporate Secretary  
Information Capital Technology Ventures, Inc.  
Unit 5-1, 5<sup>th</sup> Floor, OPL Building, 100 C. Palanca St. corner dela Rosa and Gil Streets  
Legaspi Village, Makati City

**PART II.**

#### INFORMATION REQUIRED IN A PROXY FORM

There are no proxy solicitations.

**PART III.**

#### SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 14 May 2013.

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**

Issuer

By:

  
**MEL V. VELARDE**

President

  
**PATRICIO S. CARLOS**

Treasurer

  
**ANGELINE L. MACASAET**  
Corporate Secretary

## ANNEX A

### INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.

#### NOTICE OF THE 2013 ANNUAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS  
INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Information Capital Technology Ventures, Inc., will be held on June 6, 2013, Thursday, 10:00 a.m. at the Ground Floor, Legaspi Room, Intercontinental Hotel Manila, No. 1 Ayala Avenue, Makati City, with the following Agenda:

#### AGENDA

1. Call to Order
2. Certification of Notice and Determination of the Existence of Quorum
3. Presentation and Approval of Minutes of the Annual Stockholders' Meeting held on June 7, 2012
4. Presentation and Approval of the 2012 Annual Report and 2012 Audited Financial Statements
5. Amendment of the Articles of Incorporation Reflecting a Change of Corporate Name
6. Election of Directors
7. Ratification of the Acts of and Resolutions of the Board of Directors and Officers of the Corporation Since the Last Annual Stockholders' Meeting
8. Presentation and Approval of the Business Plan
9. Appointment of Independent External Auditors
10. Other Matters
11. Adjournment

The record date for stockholders entitled to notice of, and vote at, the said meeting is April 30, 2013. Registration for the meeting shall be at 9:00 a.m. Please present any proof of identification, such as driver's license, passport, or company I.D., to facilitate registration.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the Company on or before May 31, 2013, addressed to the attention of the Corporate Secretary. Validation of proxies shall be held on June 3, 2013 at 10:30 a.m. at the principal office of the Company. No proxy is being solicited.

14 May 2013.

  
ANGELINE MACASAET  
Corporate Secretary



## ANNEX B

### PART I - BUSINESS AND GENERAL INFORMATION

#### General Information

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

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

On March 22, 2005, a Memorandum of Agreement was executed by AIB and Gamboa Holdings, Inc. (Gamboa), whereby AIB agreed to sell and Gamboa agreed to purchase 18,171,286 or 2/3 of the shares of stock of Cashrounds at an aggregate purchase price of PhP74,395,000.00.

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

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

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

On September 19, 2006, the Securities and Exchange Commission (SEC) approved the increase in the authorized capital stock of Cashrounds to PhP1.320 billion with corresponding increase of its paid-up capital to PhP1,317,278,350 as well as the change of the corporate name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. (the "Company").

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

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

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

On February 20, 2009, the PSE issued a circular informing the investing public of the Company's listing of additional 1,289,278,350 common shares effective February 24, 2009. This is to cover the share-for-share swap transactions with the shareholders of NMI, namely, Top Mega Enterprise, Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Joycelink Holdings Limited and Food Camp Industries and Marketing, Inc., at a swap price of P1.00 per share.

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

On March 12, 2010, the Board of Directors of the Company (BOD) approved the Company's transfer from the Second board to the First Board of the Exchange. In addition, the BOD approved the Company's increase in authorized capital stock from P1.32 billion to P5 billion as well as the listing of the additional shares from the increase. Finally, the BOD approved the amendment of the Company's By-Laws that will allow waiver of pre-emptive rights.

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

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

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

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

On October 1, 2010, the Company entered into an agreement with Holy Cow Animation, Inc., Ms. Marilyn D.L. Montano and Mr. Danilo F. Montano whereby the Company shall subscribe to new shares of stock of Holy Cow Animation, Inc. totaling 53,937 shares which will be equivalent to 50% equity interest in Holy Cow Animation, Inc. post investment

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

On December 20, 2010, the Company entered into an agreement with Softweb Consulting, Inc., Ms. Rhenie T. Vitoria, Mr. James Michael V. Santiago and Ms. Angel Madonna V. Santiago whereby the Company shall purchase/subscribe to shares of stock of Softweb Consulting, Inc. totaling 5,050 which will be equivalent to 50% equity interest in Softweb Consulting, Inc. post investment.

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

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

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

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

On March 17, 2011 the Company's Board of Directors confirmed/ratified the establishment of the Company's wholly-owned subsidiary named J-Span IT Services, Inc. in Tokyo, Japan. The Board likewise

approved the establishment in the Philippines of a wholly-owned subsidiary to be named I-Resource Consulting International, Inc.

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

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

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

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

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

#### **Business of the Company**

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

Through the efforts of IMX Broadband Inc., a Certificate of Registration as a Value Added Service (VAS) Provider as Voice over Internet Protocol (VOIP) Provider was issued on March 10, 2006 by the National Telecommunications Commission (NTC) to the Company effective until March 9, 2007, renewed up to March 8, 2012. On March 22, 2012, the Company's VAS Certificate was further extended by NTC from March 09, 2012 to March 08, 2013. The Company's application for the renewal of the registration for the period March 9, 2013 to March 8, 2014 is now pending approval with the NTC.

Pursuant to its new primary purpose, ICTV has recently shifted its operations into Telecommunications, Media and Technology (TMT). Its new primary purpose covers the business of providing telecommunications, media, and information technology products and services. These include telecommunications value-added service (VAS) through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; as well as activities directly or indirectly connected to these.

Among the programs that ICTV management plans to undertake are: providing telecommunications VAS through iDEN, CDMA, GSM and broadband networks worldwide; and, entering the software development services industry by expanding the markets being served by proprietary enterprise solutions it has developed and will develop for inter-network deployment nationwide and worldwide. ICTV plans to develop and market worldwide mobile data applications that will run on different platforms. It also plans to develop and market digital media content.

On December 18, 2008, the Company signed a Development Partnership Agreement with REWSS A/S, a Danish based corporation with an operations and development hub in the Philippines, and Next Mobile, a MTS (mobile telephone system) operator in the Philippines. REWSS A/S provides Network Business Intelligence (NBI) software solutions for operators worldwide with clients in the USA, Europe, Africa and Asia for various network

technologies including CDMA, GSM and UMTS (2G and 3G). Using NextMobile's network infrastructure, REWSS A/S will develop its REWS Stools for the iDEN Motorola technology. The Company will handle the project management role in this agreement.

The Company has finished the development of its first telematics product the iScan. Telematics is a system that involves the integration of telecommunications and informatics, with products and services that will provide mobile services using Blackberry and Nokia phones. The Company is now planning how to launch these mobile application products and services. For the planned commercial launch of some of the products/services, the Company started to establish its operations and back-end processes through service outsourcing during the 2<sup>nd</sup> half of 2010. Management personnel are also being sourced from Knowledge Professionals Service Cooperative. The Company is currently putting up its teams in preparation for its business process outsourcing businesses which include among others software development, programming, cloud computing and financial processes to serve the local and the international markets.

With recent developments in the IT industry, the Company wants to focus on providing high-value ICT Services. ICTV has been strengthening its ICT capabilities as follows:

- (1) Through supply of highly-skilled ICT professionals for outsourced and Off-shore IT Services with specific emphasis on delivering complete Software Development Life Cycle Services via its division J-Span Computing and wholly-owned subsidiary i-Resource Consulting International, Inc.:
  - a. **J-Span Computing ("J-Span")**, a new division of ICTV with personnel that has solid experience and technical competencies to meet the stringent requirement of the Japanese market. J-Span is positioned to provide expert IT professional service covering the entire Software Development Life Cycle (SDLC) needs of international clientele. Its information technology outsourcing & off-shoring services cover Technical Architecture Consulting, Research & Development, Software / Systems Performance Improvement, Software Development, Software QA/ Testing and Software Maintenance.
  - b. **i-Resource Consulting International, Inc. ("i-Resource")**, on the other hand is the IT Professionals resources management team of ICTV. i-Resource was established to find and develop IT Professionals service opportunities in the Philippines with plans of growing global.
- (2) Through delivery of high-value ICT applications. ICTV will develop, deliver and support high-value Open-Source and Proprietary Applications that can be deployed through the "Private Networks" or "Cloud Computing" environment. Our partners for this pursuit are as follows:
  - a. **Softweb Consulting, Inc. ("Softweb")**, a strategic business partner will provide development of *generic web-enabled solutions/applications* that are industry neutral with minimum customization needed for deployment. Softweb has business process applications in nine (9) major categories that is ready for deployment on a private network or in a "Cloud Computing" environment.
  - b. **Softrigger Interactive, Inc. ("Softrigger")**, an accredited Apple, Inc. developer for iPad applications is one of ICTV's strategic business partners for the development of *highly customized web-enabled applications*. Softrigger has in its portfolio the electronic political machinery/system "Election Campaign Collaboration & Team Resource Organization Network" (ELECTRON) that was used and found very effective in performing on-line management and monitoring of the 2010 presidential campaign and election. Softrigger has business process applications in six (6) major categories that is similarly ready for deployment on a private network or in a "Cloud Computing" environment.
- (3) Through ICT enabled businesses where convergence and traditional industries come together. ICTV plans to develop, deliver and support ICT-enabled businesses where convergence of traditional and emerging technologies take place such as Electric Vehicle Technology, Animation, Social Networks . Our partners for this pursuit are as follows:

- a. **Holy Cow Animation, Inc. ("Holy Cow")**, an entertainment animation producer. Holy Cow has competencies in the entire animation production value chain from IPR & Content Development, Script Preparation, Character Design, Storyboard Layout Development, Development of Character Specifications, Background Development, Colors and Visual Effects, Final Sound Recording, Special Sound and Visual Effects, Promotion, Distribution, DVD Release, and Cinema & TV screening.
- b. **GiggleIT.net ("GiggleIT")**, an off-site ICTV support services for web-enabled collaborative application and services. GiggleIT will provide support to ICTV and non-ICTV web-enabled collaborative applications.
- c. **NowPlanet.TV ("NowPlanet.TV")** is the digital media brand of ICTV. It is a social business platform that enables enterprises, organizations and institutions to create, manage and sustain their marketing and communications campaigns across multiple mobile devices (Smartphones and Tablet PCs that run on iOS and Android). NowPlanet.TV has launched several Channels for business owners and institutions in order to synergize their marketing and communication efforts, through the use of digital media. It has recently unveiled the Live Streaming coverage of the Impeachment Trial of Chief Justice Renato Corona through the Justice Watch Channel, in partnership with The Asian Institute of Journalism and Communications (AIJC).
- d. **Live-Xchange ("Live-Xchange")** is an ICTV cloud service. It is a marketplace in the cloud where Real Products, Real Services and Real People are engaged in a Live Exchange. Live-Xchange offers a series of high-end online solutions to help businesses operate efficiently and cost effectively. A milestone achievement of this endeavor is the service offering of the IBM Lotus software in the cloud. This pioneering product of Live-Xchange offers the powerful office solutions of IBM Lotus, from email services to mobile push email, to web conferencing, communication and social media. ICTV, through Live-Xchange, is the first company in the Philippines to offer such service amongst the local IBM Business partners.

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

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

On March 17, 2011, the board confirmed/ratified the establishment of the Company's wholly-owned subsidiaries named J-Span IT Services, Inc. in Tokyo, Japan and i-Resource Consulting International, Inc. in the Philippines.

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

In 2010 and 2011, the Company has spent a material amount on development activities to support its thrust to focus on providing high-value ICT services.

The Company has no employees. Most, if not all, of the operations have been outsourced, including Research and Development.

## **PART II – MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

On February 7, 2002, the Board of Directors (BOD) 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 BOD 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 Philippine Stock Exchange (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 Corporation. The market price is at high of Php0.98 and low of Php0.34.

The following table is the summary of ICTV's stock prices from March 2011 up to the first quarter of 2013:

Quarter/Period	High	Low	Average
1 <sup>st</sup> Quarter ending 31 Mar 2011	.62	.40	.53
2 <sup>nd</sup> Quarter ending 30 June 2011	.53	.34	.49
3 <sup>rd</sup> Quarter ending 30 Sep 2011	.98	.36	.63
4 <sup>th</sup> Quarter ending 31 Dec 2011	.60	.36	.45
1 <sup>st</sup> Quarter ending 31 March 2012	.66	.395	.562
2 <sup>nd</sup> Quarter ending 30 June 2012	.580	.400	.438
3 <sup>rd</sup> Quarter ending 30 Sep 2012	.510	.390	.440
4 <sup>th</sup> Quarter ending 31 Dec 2012	.475	.380	.428
1 <sup>st</sup> Quarter ending 31 Mar 2013	.510	.400	.446

ICTV's stock price as of May 14, 2013 is Php.405 per share.

#### Related Stockholder Matters

During the June 02, 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 Next Mobile, Inc. and five other companies namely, Top Mega Enterprises Limited, Joycelink Holdings Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Food Camp Industries and Marketing, Inc. (the five companies collectively known as NMI Shareholders).

However, certain amendments were made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the Company could not revise its primary purpose at that time. Hence, the stockholders approved the amendment in the MOA that there will be no change in the primary purpose of the Company. In addition, the stockholders also approved the proposal that the Company shall acquire only nineteen percent (19%) equity interest in Next Mobile, Inc. 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 Next Mobile, Inc. will be acquired by the Company in the future.

The amendment in the MOA was approved by the stockholders such that the shareholders of Next Mobile, Inc. will transfer to the Company shares of Next Mobile, Inc. in the aggregate number of 2,656,580 shares constituting 19% equity interest in Next Mobile in exchange for new shares of the Company with an aggregate value of ₱1,289,278,350 for 19% of Next Mobile, or effectively at a price of ₱485.315085 per Next Mobile 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 ₱1,280,000,000 at ₱1.00 par value per share. Accordingly, the stockholders approved the proposal to increase the authorized capital of the Company by ₱1,280,000,000.

On September 19, 2006, the SEC approved the increase in the authorized (to P1.320 Billion) and paid-up capital (to P1,317,278,350) 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 Philippine Stock Exchange a listing application of additional 1,289,278,350 common shares to cover its share-for-share swap transaction with NMI shareholders. Following the Company's re-application for listing of the same shares in October 2008, the Philippine Stock Exchange approved the same and was listed on February 24, 2009.

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

On March 12, 2010, the Board approved the Company's increase in Authorized Capital Stock from P1.32 billion to P5 billion as well as the listing of the additional shares from the increase.

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

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

	2012		2011		2010	
	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	-	-	-	-	-	-
	<b>1,317,278,350</b>	<b>1,317,278,350</b>	<b>1,317,278,350</b>	<b>1,317,278,350</b>	<b>1,317,278,350</b>	<b>1,317,278,350</b>

No party or person holds any voting trust over any of the Company's shares.

There are approximately 71 Holders of Common Stock as of March 31, 2013. The Top Twenty (20) Holders of Common Stock as of March 31, 2013 are as follows:

Name	Nationality	No. of shares	Percentage
Top Mega Enterprises Limited	Foreign	377,035,951	28.6223%
PCD NOMINEE CORP.-FILIPINO	Filipino	266,377,735	20.2218%
Gamboa Holdings, Inc.	Filipino	259,388,483	19.6912%
Emerald Investments, Inc.	Filipino	223,787,616	16.9886%
Foodcamp Industries & Marketing, Inc.	Filipino	91,985,296	6.9830%
Joyce Link Holdings, Limited	Foreign	86,458,552	6.5634%
PCD NOMINEE CORP.-NON-FILIPINO	Foreign	8,766,000	0.6655%
Chua, Robert S.	Filipino	2,250,000	0.1708%
Velarde, Inc.	Filipino	771,545	0.0586%
Chua Co Kiong, William N.	Filipino	145,000	0.0110%
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	211,170	0.0200%
		<b>1,317,278,350</b>	<b>100.00%</b>

The information being presented herein does not relate to an acquisition, business combination or other reorganization that would have an effect on the amount and percentage of present holdings of the Company's common equity owned beneficially by:

- (i) any person or group who is known to the registrant to be the beneficial owner of more than five percent (5%) of any class of the registrant's common equity;
- (ii) each director and nominee; and
- (iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares of any class of its common equity.

#### Dividends

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

#### Reconciliation of Retained Earnings Available for Dividend Declaration

Deficit, as adjusted, beginning*	(P145,731,151)
Net income based on the face of the Audited Financial Statements	137,980,015
Deficit, as adjusted, ending	<u>(P283,711,166)</u>

#### Recent Sale of Unregistered Securities

There was no sale of unregistered securities or issuance of securities constituting an exempt transaction within the last three years.

### **PART III - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLANS OF OPERATION**

#### **Registrant's Financial Condition, Changes in Financial Condition and Results of operations**

##### Year 2012

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

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

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

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

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



Current liabilities decreased by Php157.9M were brought about by the reclassification to non-current liabilities of the advances owed to related parties amounting to Php272.6M. These advances were used to finance the working capital and investment requirement of the Company. In 2012, the Company restructured the loan extended by Velarde, Inc. from current liability to long-term liability and agreed further for the deferment on the accrual and payment of interest starting November 2012 while the Company is unable to pay but such period shall not exceed three (3) years.

In October 2012, the Company secured a loan from a commercial bank amounting to Php40.5M to finance the operational requirements of the Company. ICTV has accessed \$1.0M collateral from Velarde, Inc. which will be used for a peso loan from Metrobank with Velarde, Inc. providing collateral. It was agreed by the parties that ICTV will pay the principal of the loan plus the effective interest rates ranging from 2.79% to 3.8% per annum. For providing the collateral to ICTV, ICTV shall pay Velarde, Inc. with agreed reduced annual interest rate of 15% per annum of the principal amount of the loan.

Obligation under finance lease was likewise decreased by Php4.6M brought about by regular payments made to transportation vehicles under finance lease.

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

#### Year 2011

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

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

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

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

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

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

Total Consolidated Assets stood at Php1.415 Billion, while Consolidated Liabilities at Php274.821 Million and Equity at Php1.140 Billion.

## Year 2010

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

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

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

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

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

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

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

## **Plans and prospects for 2013**

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

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

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

ICTV has been strengthening its ICT capabilities as follows:

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

covering the entire Software Development Life Cycle (SDLC) needs of international clientele. Its information technology outsourcing & off-shoring services cover Technical Architecture Consulting, Research & Development, Software / Systems Performance Improvement, Software Development, Software QA/ Testing and Software Maintenance.

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

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

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

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

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

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

#### Key Variable and Other Qualitative and Quantitative Factors

The performance indicators are the (1) Gross revenues earned for the period, (2) Profit Margin, (3) Net Income. Deals in process are monitored and discussed on a monthly basis, including a review of the possible income that may arise from the deals that may close for a certain period.

#### Financial Soundness Indicators

Profitability	Profit Margin	-276.139%
	Return on Assets	-9.671%
	Return on Equity	-13.772%
	Book Value per share	0.7613
	Earnings per share	-0.1048
Liquidity	Current Ratio	0.6226
Debt to Equity	Debt to Equity Ratio	0.4241
Asset to Equity	Assets to Equity Ratio	1.4241
Interest	Interest rate coverage ratio	2.5497

The Financial Soundness Indicators are computed as follows:

#### Profitability:

Profit Margin %: Profit margin = Net Income / Total Revenue x 100  
 Return on Assets %: Return on assets = Net Income / Total Assets x 100  
 Return on Equity % = Net Income / Total Stockholders' Equity x 100  
 Book Value per share = Total Stockholders' Equity / Average Outstanding Shares  
 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

#### **Any Known Trends, Events or Uncertainties**

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.

#### **Events that will trigger Direct or Contingent Financial Obligation**

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

There is a material change for the Outside Services account from 2010 to 2011 of the financial statements. This change is due to the fact that the Company has commenced full scale operations for the development of its products/services and is preparing for the commercial launch of some of its products/services. The Company has started to establish teams to support its business process outsourcing pursuits. It has also put up its own operations and back-end processes through service outsourcing. Management services are being sourced from a cooperative of professionals named Knowledge Professional Services Cooperative.

#### **Material Off-Balance Sheet Transactions**

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

#### **Material Commitment for Capital Expenditures**

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

#### **Trends, Events or Uncertainties (Material Impact on Sales)**

There were 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.

#### **Significant Elements of Income or Loss**

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

**Changes from Period of FS**

There is a material change for the Outside Services account from 2010 to 2011 of the financial statements. This change was 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. The Company has started to establish teams to support its business process outsourcing pursuits. It has also put up its own operations and back-end processes through service outsourcing. Management services are being sourced from a cooperative of professionals named Knowledge Professionals Service Cooperative.

**Seasonal Aspects that Have Material Effect on the FS**

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

**Compliance with Corporate 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 Revised Manual on Corporate Governance for the completed year, and 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. Any plan to improve the Company's corporate governance will be discussed in the coming annual stockholders meeting.

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 14 May 2013.

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**

By:

  
**MEL V. VELARDE**  
President (Principal Executive Officer)

  
**PATRICIO S. CARLOS**  
Treasurer (Principal Financial Officer)

  
**ANGELINE L. MACASAET**  
Corporate Secretary (Compliance Officer)

15 MAY 2013

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of May 2013, affiants exhibiting to me their government issued identification, as follows:

NAMES	Competent Evidence of Identity	Expiry Date
Mel V. Velarde	Philippine Passport No. XX3902732	04 June 2014
Patricio S. Carlos	Philippine Driver's License No. 1-90-110314	8 August 2014
Angeline L. Macasaet	Philippine Passport No. XX2894717	27 October 2013

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Page No. 38 ;  
Book No. XXVI ;  
Series of 2013.

**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public City of Makati  
Until December 31, 2014  
IBP No. 656155-Lifetime Member  
MCLE Compliance No. III-0014282  
Appointment No. M-199-(2013-2014)  
PTR No. 3664330 Jan. 2, 2013  
Makati City Roll No. 40094  
101 Urban Ave., Brgy. Pio del Pilar,  
Makati City

## CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **VERONICA T. MERK**, Filipino, of legal age and with residence address at 910, Pasay Road, Colbella Arcade, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Information Capital Technology Ventures, Inc. (ICTV).
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
International Association of Business Communicators Philippine Chapter	President	Up to present
Media and Public Relations	Consultant	Up to present
CFO Financial Executive Search	PR Consultant	Up to present
Ayala Corporation	Consultant	Up to present
ABS-CBN Cable Channels	Consultant	Up to present
Merk Media, Inc.	President	Up to present
Merk Communication	President & CEO	Up to present
Music Competitions for Young Artists Foundation, Inc.	Chairman/ Director	Up to present
Prime Asia Magazine	Executive Editor	Up to present
Pinoy Global Access	Executive Editor	Up to present
Pearl S. Buck Foundation	Director	Up to present
Corporate Communications Department/Office of the President	Vice President	Until January 2006
BPI Foundation, Inc.	Executive Director	Until January 2006
Bank Marketing Association of the Philippines	Special Events-Director	Until January 2006
Ayala Now	Associate Editor	Until January 2006
Ayala Group of Companies	External Relations	Until January 2006
International Association of Business Communicators	Member	Up to present
League of Corporate Foundations	Member	Until January 2006
Association of Foundations	Member	Until January 2006
National Press Club	Member	Up to present
Philippine Association of National Advisers	Member	Up to present
Public Relations Society of the Philippines	Member	Up to present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of ICTV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.

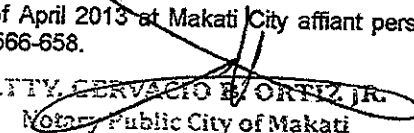
5. I shall inform the corporate secretary of ICTV of any changes in the abovementioned information within five (5) days of its occurrence.

Done this 29<sup>th</sup> day of April 2013 at Makati City, Philippines.

  
**VERONICA T. MERK**  
Affiant

Subscribed and sworn to before me this 29<sup>th</sup> day of April 2013 at Makati City affiant personally appeared before me and exhibited her TIN with TIN No. 135-566-658.

Doc No. 289  
Page No. 50  
Book No. XXI  
Series of 2013.

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

APR 30 2013

**CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR**

I, **MARLOU BUENAFE UBANO**, Filipino, of legal age and with residence address at 3350 Ibarra Street, Palanan, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Information Capital Technology Ventures, Inc. (ICTV).
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Ubano Sianghio & Lozada Law Offices	Founding Partner	June 2002 to present
Integrated Bar of the Philippines – Western Visayas Region	Governor	2013
Philippine Department of Transportation and Communications	Assistant Secretary for Legal Affairs	2011 to 2013
Integrated Bar of the Philippines – Western Visayas Region	Deputy Governor	2011 to 2013
Asean Law Association	Member	Present
Intellectual Property Association of the Phils., Inc.	Member	Present
Integrated Bar of the Philippines – Capiz Chapter	President	2011
Integrated Bar of the Philippines – Capiz Chapter	President	2007-2009
Integrated Bar of the Philippines, Commission on Bar Discipline	Commissioner	2005 to 2007
University of the Philippines, Office of Legal Aid	Supervising Lawyer	March 2005 to 2006
ACCRA Law Offices	Senior Associate	1997 to 2002

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of ICTV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.


5. I shall inform the corporate secretary of ICTV of any changes in the abovementioned information within five (5) days of its occurrence.

Done this 29<sup>th</sup> day of April 2013 at Makati City, Philippines.

  
**MARLOU BUENAFE UBANO**  
Affiant

Subscribed and sworn to before me this APR 30 2013 day of April 2013 at Makati City affiant personally appeared before me and exhibited his Philippine Driver's License with ID No. NO1-99-239182 expiring on 10 November 2013.

Doc No. 401;  
Page No. 82;  
Book No. 32;  
Series of 2013.

  
**ATTY. ROBERT M. ILLUZ**  
NOTARY PUBLIC  
Until December 31 2013  
Appt No M-521 Makati City  
IBP #899793, May 22 2012-RSM  
PTR #3685485, Jan 15, 2013-Makati  
S C Roll No 59597  
MCLE Compliance No IV-0011330  
Unit 6E Cityland Herrera Tower  
#98 Rufino St. cor Valero St.  
Salcedo Village, Makati City



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

### SECRETARY'S CERTIFICATE

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

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

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

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

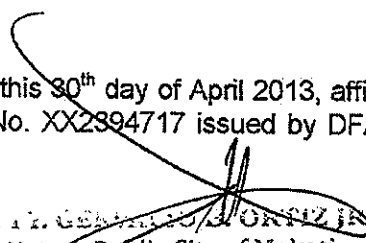
3. This Certificate is being issued to attest to the truth of the foregoing and for whatever legal purpose it may serve.

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

  
**ANGELINE L. MACASAET**  
Corporate Secretary

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

Doc. No. 267  
Page No. 69  
Book No. XXI  
Series of 2013.

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



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

**MEL V. VELARDE**  
President

**PATRICIO S. CARLOS**  
Treasurer

Signed this 30<sup>th</sup> day of April 2013

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

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

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

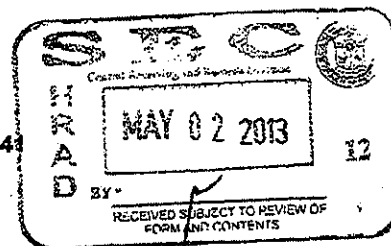
*Robert N. Ortiz*  
**ATTY. ROBERT N. ORTIZ**  
NOTARY PUBLIC

Until December 31, 2013  
Appt No M-521 Makati City  
TBP #899793 May 22 2012 WSM  
PTR #3685485 Jan 16 2013  
S C Roll No 59597  
MCLE Compliance No IV-0011330  
Unit 6E Citylano Herrera Tower  
#98 Rufino St cor Valero St  
Salcedo Village Makati City



SEC FORM 17-A

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



1. For the fiscal year ended \_\_\_\_\_ December 31, 2012

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

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

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

6.  (SEC Use Only)  
Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares</u>	<u>1,317,278,350</u>

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**

**Item 1. Business**

**A. Description of Business**

**(1) Business Development.**

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

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

On March 22, 2005, a Memorandum of Agreement was executed by AIB and Gamboa Holdings, Inc. (Gamboa), whereby AIB agreed to sell and Gamboa agreed to purchase 18,171,286 or 2/3 of the shares of stock of Cashrounds at an aggregate purchase price of PhP74,395,000.00.

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

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

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

On September 19, 2006, the Securities and Exchange Commission (SEC) approved the increase in the authorized capital stock of Cashrounds to PhP1.320 billion with corresponding increase of its paid-up capital to PhP1,317,278,350 as well as the change of the corporate name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. (the "Company").

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

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

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

On February 20, 2009, the PSE issued a circular informing the investing public of the Company's listing of additional 1,289,278,350 common shares effective February 24, 2009. This is to cover the share-for-share swap transactions with the shareholders of NMI, namely, Top Mega Enterprise, Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Joycelink Holdings Limited and Food Camp Industries and Marketing, Inc., at a swap price of ₱1.00 per share.

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

On March 12, 2010, the Board of Directors of the Company (BOD) approved the Company's transfer from the Second board to the First Board of the Exchange. In addition, the BOD approved the Company's increase in authorized capital stock from P1.32 billion to P5 billion as well as the listing of the additional shares from the increase. Finally, the BOD approved the amendment of the Company's By-Laws that will allow waiver of pre-emptive rights.

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

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

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

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

On October 1, 2010, the Company entered into an agreement with Holy Cow Animation, Inc., Ms. Marilyn D.L. Montano and Mr. Danilo F. Montano whereby the Company shall subscribe to new shares of stock of Holy Cow Animation, Inc. totaling 53,937 shares which will be equivalent to 50% equity interest in Holy Cow Animation, Inc. post investment.

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

On December 20, 2010, the Company entered into an agreement with Softweb Consulting, Inc., Ms. Rhennie T. Vitoria, Mr. James Michael V. Santiago and Ms. Angel Madonna V. Santiago whereby the Company shall purchase/subscribe to shares of stock of Softweb Consulting, Inc. totaling 5,050 which will be equivalent to 50% equity interest in Softweb Consulting, Inc. post investment

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

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

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

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

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

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

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

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

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

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

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

## **(2) Business of the Company**

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

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



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

Pursuant to its new primary purpose, ICTV has recently shifted its operations into Telecommunications, Media and Technology (TMT). Its new primary purpose covers the business of providing telecommunications, media, and information technology products and services. These include telecommunications value-added service (VAS) through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; as well as activities directly or indirectly connected to these.

Among the programs that ICTV management plans to undertake are: providing telecommunications VAS through iDEN, CDMA, GSM and broadband networks worldwide; and, entering the software development services industry by expanding the markets being served by proprietary enterprise solutions it has developed and will develop for inter-network deployment nationwide and worldwide. ICTV plans to develop and market worldwide mobile data applications that will run on different platforms. It also plans to develop and market digital media content.

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

The Company has finished the development of its first telematics product the iScan. Telematics is a system that involves the integration of telecommunications and informatics, with products and services that will provide mobile services using Blackberry and Nokia phones. The Company is now planning how to launch these mobile application products and services. For the planned commercial launch of some of the products/services, the Company started to establish its operations and back-end processes through service outsourcing during the 2<sup>nd</sup> half of 2010. Management personnel are also being sourced from Knowledge Professionals Service Cooperative. The Company is currently putting up its teams in preparation for its business process outsourcing businesses which include among others software development, programming, cloud computing and financial processes to serve the local and the international markets.

With recent developments in the IT industry, the Company wants to focus on providing high-value ICT Services. ICTV has been strengthening its ICT capabilities as follows:

- (1) Through supply of highly-skilled ICT professionals for outsourced and Off-shore IT Services with specific emphasis on delivering complete Software Development Life Cycle Services via its division J-Span Computing and wholly-owned subsidiary i-Resource Consulting International, Inc.:
  - a. **J-Span Computing ("J-Span")**, a new division of ICTV with personnel that has solid experience and technical competencies to meet the stringent requirement of the Japanese market. J-Span is positioned to provide expert IT professional service covering the entire Software Development Life Cycle (SDLC) needs of international clientele. Its information technology outsourcing & off-shoring services cover Technical Architecture Consulting, Research & Development, Software / Systems Performance Improvement, Software Development, Software QA/ Testing and Software Maintenance.
  - b. **i-Resource Consulting International, Inc. ("i-Resource")**, on the other hand is the IT Professionals resources management team of ICTV. i-Resource was established to find and develop IT Professionals service opportunities in the Philippines with plans of growing global.

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

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

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

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

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

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

#### **Development of New Products and Services**

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

#### **Competition**

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

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

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

#### **Customers**

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

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

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

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

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

#### **Employees**

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

#### **Major Risks**

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

2. **Third Party Services.** The Company's social media services have a dependence on 3rd parties such as developers and internet providers. Maintaining and sustaining a satisfactory relationship with third party service providers is critical in ensuring technical support for the Company's social media services. Failure to do so may negatively impact the Company's business since we rely on them for content upgrades, localization and technical support. To mitigate this risk, the Company is constantly in search for the right partners.
3. **Internet.** The Company's social media services are dependent on the quality and accessibility of the Internet. The over-all user experience may be adversely affected by a poor internet connection. The growth of this sector in the Philippines may be limited as internet access has not reached more far-flung areas in the country.

## Item 2. Properties

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

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

## Item 3. Legal Proceedings

There are no legal proceedings against the Company.

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

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

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

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

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

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

However, certain amendments were made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the Company could not revise its primary purpose at that time. Hence, the stockholders approved the amendment in the MOA that there will be no change in the primary purpose of the Company. In addition, the stockholders also approved the proposal that the Company shall acquire only nineteen percent (19%) equity interest in NMI and not 97%, as originally intended. It was agreed that the acquisition shall be based on the same terms and valuation stated in the MOA in the event that additional equity in NMI will be acquired by the Company in the future.

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

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

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

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

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

On March 12, 2010, the Board approved the Company's increase in authorized capital stock from P1.32 billion to P5 billion as well as the listing of the additional shares from the increase.

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

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

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

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

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

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

#### Dividends

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

#### Recent Sale of Unregistered Securities

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

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

##### **Plans and prospects for 2013**

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

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

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

ICTV has been strengthening its ICT capabilities as follows:

- (1) Through supply of highly-skilled ICT professionals for outsourced and Off-shore IT Services with specific emphasis on delivering complete Software Development Life Cycle Services via its division J-Span Computing and wholly-owned subsidiary i-Resource Consulting International, Inc.:
  - a. **J-Span Computing ("J-Span")** a new division of ICTV that has personnel with solid experience and technical competencies to meet the stringent requirement of the Japanese market. J-Span is also strategically positioned to provide expert IT professional service covering the entire Software Development Life Cycle (SDLC) needs of international clientele. Its information technology outsourcing & off-shoring services cover Technical Architecture Consulting, Research & Development, Software / Systems Performance Improvement, Software Development, Software QA/ Testing and Software Maintenance.
  - b. **i-Resource Consulting International, Inc. ("i-Resource")**, on the other hand, is the IT Professionals resources management team of ICTV. i-Resource was established to find and develop IT Professionals service opportunities in the Philippines with plans of growing global.
- (2) Through delivery of high-value ICT applications. ICTV will develop, deliver and support high-value Open-Source and Proprietary Applications that can be deployed through the "Private Networks" or "Cloud Computing" environment. Our partners for this pursuit are as follows:
  - a. **Softweb Consulting, Inc. ("Softweb")**, a strategic business partner provides development of *generic web-enabled solutions/applications* that are industry neutral with minimum customization needed for deployment. Softweb has business process applications in nine (9) major categories that is ready for deployment on a private network or in a "Cloud Computing" environment.
  - b. **Softrigger Interactive, Inc. ("Softrigger")**, an accredited Apple, Inc. developer for iPad applications is ICTV's strategic business partner for the development of *highly customized web-enabled applications*. Softrigger has in its portfolio the electronic political machinery/system "Election Campaign Collaboration & Team Resource Organization Network" (ELECTRON) that was used and found very effective in performing on-line management and monitoring of the 2010 presidential campaign and election. Softrigger has business process applications in six (6) major categories that is similarly ready for deployment on a private network or in a "Cloud Computing" environment.
- (3) Through ICT enabled businesses where convergence and traditional industries come together. ICTV plans to develop, deliver and support ICT-enabled businesses where convergence of traditional and emerging technologies take place such as Electric Vehicle Technology, Animation and Social Networks. Our partners for this pursuit are as follows:
  - a. **Holy Cow Animation, Inc. ("Holy Cow")**, an entertainment animation producer. Holy Cow has competencies in the entire animation production value chain from IPR & Content Development, Script Preparation, Character Design, Storyboard Layout Development, Development of Character Specifications, Background Development, Colors and Visual Effects, Final Sound Recording, Special Sound and Visual Effects, Promotion, Distribution, DVD Release, and Cinema & TV screening. Holy Cow is currently working on an Argentine Animation Project and currently in negotiation to co-produce a 52-episode entertainment production with a Canadian Firm.
  - b. **GiggleIT.net ("GiggleIT")**, an off-site ICTV support services for web-enabled collaborative application and services. GiggleIT will provide support to ICTV and non-ICTV web-enabled collaborative applications.

- c. **NowPlanet.TV** ("NowPlanet.TV") is the digital media brand of ICTV. It is a social business platform that enables enterprises, organizations and institutions to create, manage and sustain their marketing and communications campaigns across multiple mobile devices (Smartphones and Tablet PCs that run on iOS and Android). NowPlanet.TV has launched several Channels for business owners and institutions in order to synergize their marketing and communication efforts, through the use of digital media. It has recently unveiled the Live Streaming coverage of the Impeachment Trial of Chief Justice Renato Corona through the Justice Watch Channel, in partnership with The Asian Institute of Journalism and Communications (AIJC).
- d. **Live-Xchange** ("Live-Xchange") is an ICTV cloud service. It is a marketplace in the cloud where Real Products, Real Services and Real People are engaged in a Live Exchange. Live-Xchange offers a series of high-end online solutions to help businesses operate efficiently and cost effectively. A milestone achievement of this endeavor is the service offering of the IBM Lotus software in the cloud. This pioneering product of Live-Xchange offers the powerful office solutions of IBM Lotus, from email services to mobile push email, to web conferencing, communication and social media. ICTV, through Live-Xchange, is the first company in the Philippines to offer such service amongst the local IBM Business partners.

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

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

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

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

#### Key Performance Indicators

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

The Key Performance Indicators are computed as follows:

#### Profitability:

Profit margin = Net Income / Total Revenue x 100

Return on assets = Net Income / Total Assets x 100

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

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

Earnings per share = Net Income / Average Outstanding Shares



**Liquidity:**

**Current Ratio = Current Assets / Current Liabilities**

**Debt to Equity:**

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

There are no known trends, demand, commitments, events or uncertainties that will have a material impact on the Company's liquidity, nor any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

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

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

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

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

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

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

**Information on Independent Accountant**

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

**Audit and Audit Fees**

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

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

## Results of operations

### Year 2012

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

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

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

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

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

Current liabilities decreased by Php157.9M were brought about by the reclassification to non-current liabilities of the advances owed to related parties amounting to Php272.6M. These advances were used to finance the working capital and investment requirement of the Company. In 2012, the Company restructured the loan extended by Velarde, Inc. from current liability to long-term liability and agreed further for the deferral on the accrual and payment of interest starting November 2012 while the Company is unable to pay but such period shall not exceed three (3) years.

In October 2012, the Company secured a loan from a commercial bank amounting to Php40.5M to finance the operational requirements of the Company. ICTV has accessed \$1.0M collateral from Velarde, Inc. which will be used for a peso loan from Metrobank with Velarde, Inc. providing collateral. It was agreed by the parties that ICTV will pay the principal of the loan plus the effective interest rates ranging from 2.79% to 3.8% per annum. For providing the collateral to ICTV, ICTV shall pay Velarde, Inc. with agreed reduced annual interest rate of 15% per annum of the principal amount of the loan.

Obligation under finance lease was likewise decreased by Php4.6M brought about by regular payments made to transportation vehicles under finance lease.

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

#### Year 2011

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

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

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

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

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

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

#### Year 2010

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

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

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

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

Current liabilities increased by 7.025 % due to increase in trade payables brought about by Outside Services for Php21.57M for the company's development activities and the advances from stockholders particularly from Velarde, Inc. for Php53.30M who funded the operations and investments of the Company including the current portion of the lease commitment amounting to Php1.78M pertaining to the purchase of transportation equipment through a four-year financing agreement also with Velarde, Inc. A payable to Emerald Investments, Inc. was recorded for Php2.87M that comprised the rental, light and water expenses of the Company. The Income Tax payable decreased from Php280K in 2009 to Php20.94K in 2010 as MCIT due to net loss.

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

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

#### **Item 7. Financial Statements**

The audited consolidated financial statements are attached as "Annex A".

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

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

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

### **PART III - CONTROL AND COMPENSATION INFORMATION**

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

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

##### **Board of Directors**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Independent Directors**

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

#### **Management Team**

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

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

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<sup>1</sup> Mr. Jose Manuel Romualdez resigned as member of the Board of Directors of ICTV on January 25, 2012.

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

**Non-executive Officers**

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

**Identity of Significant Employees**

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

**Family Relationship**

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

**Involvement in Certain Legal Proceeding**

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

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

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

**Item 10. Executive Compensation**

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

ACTUAL				
		2012	2011	
		COMPENSATION	OTHERS	TOTAL
A. Five (5) most highly compensated Executive Officers				
		19,117,367.00	9,000.00	19,126,267.00
				8,116,000.00

<sup>2</sup> Mr. Angel Timoteo Diaz de Rivera resigned from the Company effective on January 1, 2013.

<sup>3</sup> Mr. Alex M. Aloba resigned from the Company effective on October 31, 2012.



All directors and executive officers as a group unnamed	6,021,667.00	25,500.00	6,047,167.00	12,069,000.00
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Projected 2013				
	COMPENSATION	OTHERS	TOTAL	
A. Five (5) most highly compensated Executive Officers	17,898,973.00	13,500.00	17,912,473.00	
All directors and executive officers as a group unnamed	2,064,773.00	21,000.00	2,085,000.00	

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

#### Standard Arrangement

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

#### Other Arrangement

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

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

None.

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

None.

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

##### Voting Securities and Principal Holders Thereof

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

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

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

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

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

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

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

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

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

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

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

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

In 2005, the Company entered into an agreement to promote and market the telecommunications services of Next Mobile, Inc. (NMI) to the Company's clients for a period of three (3) years until May 2008. In consideration thereof, the Company billed NMI P5.0 million in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NMI's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement is effective until October 2006. A success fee of P850,000 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained will be paid by NMI. In 2006, the Company billed NMI P3.1 million for its services.

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

In 2008, the Company entered into an agreement with Emerald Investments, Inc. (EII) for the lease of a 270 square meter condominium unit in Makati. The lease shall be for four (4) years, commencing on January 1, 2008 ending on December 31, 2011. On January 28, 2009, the Company and EII amended the Sub-Lease

Agreement to the effect that the monthly rental from January 1 to December 31, 2008 be reduced from ₱400 to ₱ 100 per square meter, for a total monthly rental of ₱27,000. The parties shall annually review the monthly rental as prevailing circumstances may necessitate.

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

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

#### PART IV - EXHIBITS AND SCHEDULES

##### Item 13. Corporate Governance

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

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

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

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

#### PART V - EXHIBITS AND SCHEDULES

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

###### (a) Exhibits

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

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

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

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

25 January 2012	Resignation of Mr. Jose Manuel G. Romualdez.
13 March 2012	Regular Board Meeting of the Company's Board of Directors wherein the Board approved the following: 1. Establishment in Delaware, USA of a company to be named NowPlanet.TV (or such other name as the management may choose) in partnership with Paradise Green LLC 2. Setting of record date on 30 April 2012 for the Company's annual stockholders meeting on 7 June 2012 3. Grant of delegated authority to the Chairman and President to approve the 2011 Audited Financial Statements 4. Change in the principal office address
10 April 2012	Change in the principal office of the Company from Level 3, Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City to Unit 5-I, 5 <sup>th</sup> Floor, OPL Building, 100 C. Palanca Street corner Dela Rosa and Gil Streets, Legaspi Village, Makati City.
9 May 2012	Submission of the List of the Company's stockholders entitled to vote as of April 30, 2012 for the 2012 Annual Stockholders' Meeting.
18 May 2012	Change of the Company's new official website from www.ictv.ph to www.ictvglobal.com.
7 June 2012	Annual Stockholders' Meeting; Election of Directors.
15 August 2012	Joint Organization and Regular Board Meeting of the Company's Board of Directors.
29 November 2012	Report on the Audit and Risk Committee Charter.
29 November 2012	Letter reply to the 15 November 2012 letter from the Securities and Exchange Commission.

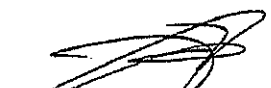
Quarterly Financial Reports (Form 17-Q) were submitted to the SEC for the quarter ending March, June and September 2012 on May 15 (SEC Form 17-Q for 1<sup>st</sup> Quarter), June 29 (Amended SEC Form 17-Q for 1<sup>st</sup> Quarter), August 14 (SEC Form 17-Q for 2<sup>nd</sup> Quarter), September 19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

#### SIGNATURES

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

By:


  
**MEL V. VELARDE**  
President

  
**PATRICIO S. CARLOS**  
Treasurer

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

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

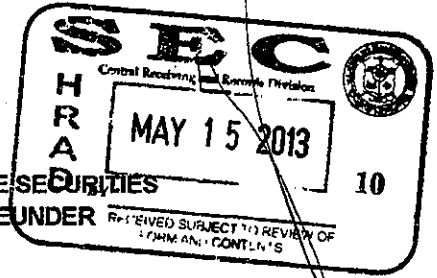
Doc. No. 507 ;  
Page No. 103 ;  
Book No. 32 ;  
Series of 2013.

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



1. For the quarterly period ended March 31, 2013

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

4. Exact name of issuer as specified in its charter

INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.

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

MAKATI CITY, PHILIPPINES

6. Industry Classification Code: XXXXXXXXXX (SEC Use Only)

7. Address of issuer's principal office Postal Code  
Unit 5-I, 5<sup>th</sup> Floor, OPL Building, 100 C. Palanca St. corner Dela Rosa and Gil Sts., Legaspi Village, Makati City, Philippines

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

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

\_\_\_\_\_

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

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

11. Are any or all of the securities listed on a Stock Exchange?  
Yes  No

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

PHILIPPINE STOCK EXCHANGE COMMON STOCK

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.  
Yes  No

## Part I. Corporate Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

### **Plans and prospects for 2013**

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

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

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

ICTV has been strengthening its ICT capabilities as follows:

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

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

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

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

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

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

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

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

## **Part II. Financial Soundness Indicators**

See Annex "A".

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

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

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

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

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

## **Part III. Financial Statements**

See Annex "B".

## Part IV. Financial Information

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

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

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

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

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

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

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

## SIGNATURES

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

Issuer MR. MEL V. VELARDE

Signature and Title President

Date 14 May 2013

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

Signature and Title Treasurer

Date 14 May 2013

**Schedule of Financial Indicators  
For the Period March 2013 and 2012**

**ANNEX A**

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

The Financial Indicators are computed as follows:

Liquidity:

Current Ratio = Current Assets/Current Liabilities

Solvency:

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

Equity:

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

Interest:

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

Profitability:

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

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

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

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

Earning per share = Net Income/Average Outstanding Shares

## ANNEX B

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

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

See accompanying Notes to Consolidated Financial Statements

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

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

See accompanying Notes to Consolidated Financial Statements



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

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

*See accompanying Notes to Financial Statements*

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

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

*See accompanying Notes to Consolidated Financial Statements*

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

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

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

*See accompanying Notes to Consolidated Financial Statements*

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

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

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

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

See accompanying Notes to Consolidated Financial Statements

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

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

*See accompanying Notes to Consolidated Financial Statements*

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

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

*See accompanying Notes to Consolidated Financial Statements*



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

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

*See accompanying Notes to Consolidated Financial Statements*

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

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**1. Corporate Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Basis of Preparation

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

### Statement of Compliance

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

### Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

#### *PFRS 10, Consolidated Financial Statements*

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

#### *PFRS 11, Joint Arrangements*

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

#### *PFRS 12, Disclosure of Interests in Other Entities*

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

#### *PFRS 13, Fair Value Measurement*

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

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

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

#### *PAS 19, Employee Benefits (Revised)*

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

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

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

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

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

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

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

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

*Effective in 2014*

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

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

*Effective in 2015*

*PFRS 9, Financial Instruments*

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

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

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

*Effective Date Deferred*

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

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

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

*Annual Improvements to PFRS (2009-2011 cycle)*

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

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

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

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

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

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

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

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

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

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

Basis of Consolidation

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

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

<sup>1</sup> JSIT, Porteon and I-Resource were incorporated in 2011.

\* Not yet started commercial operations in 2012.



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

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

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

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

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

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

#### Transactions with Non-controlling Interest

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

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### **3. Summary of Significant Accounting Policies**

#### Business Combination and Goodwill

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

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

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

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

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

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

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

#### *Impairment of Goodwill*

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

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

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

#### Financial Instruments

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

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

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

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

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

#### *Loans and receivables*

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

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

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

#### *AFS investments*

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

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

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

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

#### *Other financial liabilities*

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

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

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

#### Impairment of Financial Assets

##### *Financial Assets Carried at Amortized Cost*

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

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

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

#### *Assets Carried at Cost*

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

#### *AFS Investments*

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

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

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

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

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

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

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

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

##### *Financial Liabilities*

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

### Derivative Financial Instruments

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

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

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

### Offsetting Financial Instruments

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

### Investment in an Associate

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

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

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

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

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

### Property and Equipment

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

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

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

	Years
Transportation equipment	5

Office equipment	2
Furniture and fixtures	2

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

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

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

#### Computer Software

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

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

#### Impairment of Nonfinancial Assets

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

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

#### Provisions

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

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

### Borrowing Costs

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

### Income Taxes

#### *Current Income Tax*

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

#### *Deferred Income Tax*

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

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

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

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

### Capital Stock

Ordinary shares are classified as equity.

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

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

### Foreign Currency Translations

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

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

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

#### Revenue Recognition

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

#### *Service revenue*

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

#### *Marketing, management and consultancy fees*

Fees are recognized when the related services have been rendered.

#### *Interest*

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

#### Cost and Expenses

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

#### Leases

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

#### *Operating lease commitments - Group as a lessee*

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

#### *Finance lease commitments - Group as a lessee*

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

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

#### Earnings Per Share (EPS)

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

#### Contingencies

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

#### Events After the Reporting Period



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

#### Segment Reporting

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

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#### **4. Significant Accounting Judgments and Estimates**

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

##### Judgements

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

##### *Determining functional currency*

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

##### *Operating lease commitment - Company as lessee*

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

##### *Finance lease commitments - Company as lessee*

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

##### *Acquisition accounting*

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

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

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

##### *Assessing impairment of goodwill*

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

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

#### Estimates

##### *Estimating allowance for impairment losses of loans and receivables*

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

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

##### *Estimating useful lives of property and equipment*

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

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

##### *Estimating impairment of unquoted AFS investments*

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

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

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

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

##### *Estimating realizability of deferred income tax assets*

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

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

#### *Impairment of nonfinancial assets*

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

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

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

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

#### *Estimating fair value of financial instruments*

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

### 5. Trade and Other Receivables

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

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

Movement in allowance for impairment losses are as follows:

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

### 6. Other Current Assets

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

### 7. Business Combination

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

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

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

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

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

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

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

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

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

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

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

## 8. Investments and Advances

### *Investments*

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

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

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

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

	2012	2011
<b>Acquisition cost:</b>		
Balances at beginning of year	P6,000,000	P26,000,000
Step-acquisition to subsidiary (Note 7)	-	(20,000,000)
<b>Balances at end of year</b>	<b>6,000,000</b>	<b>6,000,000</b>
<b>Equity in net losses of associates:</b>		
Balances at beginning of year	(2,923,275)	(4,528,387)
Share in net losses of associates	(3,076,725)	(7,888,415)
Step-acquisition to subsidiary (Note 7)	-	9,493,527
<b>Balances at end of year</b>	<b>(6,000,000)</b>	<b>(2,923,275)</b>
Investments in associates at equity	-	3,076,725
Advances to an associate	5,000,000	5,000,000
	<b>P5,000,000</b>	<b>P8,076,725</b>

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

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

	2012	2011
<b>Softweb:</b>		
Total assets	P9,335,845	P13,105,790
Total liabilities	32,093,994	26,436,273
Total equity	(22,758,149)	(13,330,483)
Net loss	9,427,666	5,846,550

#### *AFS Investment*

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

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

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

However, certain amendments were subsequently made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the Company could not revise its primary purpose at that time. Hence, the stockholders approved the amendment in the MOA that there will be no change in the primary purpose of the Company. In addition, the stockholders also approved the proposal that the Company shall acquire only nineteen percent (19%) equity interest in NMI and not 97%, as originally intended. As a result, the NMI stockholders will transfer to the Company 2,656,580 NMI shares in exchange for new shares of the Company with an aggregate value of P1,289,278,350, or effectively at a price of P485.315085 per NMI share.

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

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

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

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

*Deposits for Future Stock Subscriptions*

As mentioned in Note 1, the Company entered into agreements with Thumbmob and Holy Cow for the subscription Thumbmob and Holy Cow shares. Deposits for future stock subscriptions in Thumbmob and Holy Cow amounted to ₱14,344,868 and ₱9,004,163 as of December 31, 2012, respectively and

₱14,344,868 and ₱7,370,480 as of December 31, 2011, respectively. These are currently recorded under "noncurrent assets" in the consolidated balance sheets pending the increase in the authorized capital stock of the investee companies.

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

**9. Property and Equipment**

**As of December 31, 2012**

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
<b>Cost:</b>					
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
<b>Ending balances</b>	<b>5,784,990</b>	<b>15,169,919</b>	<b>10,636,155</b>	<b>1,222,083</b>	<b>32,813,147</b>
<b>Accumulated depreciation and amortization:</b>					
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
<b>Ending balances</b>	<b>2,431,353</b>	<b>5,905,549</b>	<b>7,154,339</b>	<b>769,249</b>	<b>16,260,490</b>
<b>Net book value</b>	<b>₱3,353,637</b>	<b>₱9,264,370</b>	<b>₱3,481,816</b>	<b>₱452,834</b>	<b>₱16,552,657</b>

**As of December 31, 2011**

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

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

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

#### 10. Accounts Payable and Accrued Expenses

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

#### 11. Related Party Transactions

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

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

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

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

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

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

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

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

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

IBI is under common ownership with the Group.

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

Velarde, Inc. is a stockholder of the Group.

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

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

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

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

EII is a stockholder of the Group.

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

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

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

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



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

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

(Forward)

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

## 12. Lease Commitments

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

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

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

## 13. Loans Payable

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

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

## 14. Capital Stock

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

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

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

## 15. Income Taxes

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

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

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

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

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

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

## 16. Basic/Diluted EPS

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

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

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

## 17. Financial Instruments

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

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

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

### Liquidity Risk

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

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

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

**December 31, 2012**

	On demand	Within 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses*	P96,024,106	P-	P-	P96,024,106
Amounts owed to related parties	3,136,572	-	272,558,399	275,694,971
Loans payable	40,500,000	-	-	40,500,000
	<b>P139,660,678</b>	<b>P-</b>	<b>P272,558,399</b>	<b>P412,219,077</b>
<i>*except government payables</i>				
<b>Financial assets:</b>				
Cash	P1,467,152	P-	P-	P1,467,152
Trade and other receivables	33,444,719	-	-	33,444,719
Amounts owed by related parties	52,137,222	-	-	52,137,222
AFS investment	-	-	1,289,278,350	1,289,278,350
	<b>P87,049,093</b>	<b>P-</b>	<b>P1,289,278,350</b>	<b>P1,376,327,443</b>

**December 31, 2011**

	On demand	Within 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses*	P40,570,931	P-	P-	P40,570,931
Amounts owed to related parties	213,000,551	-	-	213,000,551
	<b>P253,571,482</b>	<b>P3,437,591</b>	<b>P8,357,168</b>	<b>P253,571,482</b>
<i>*except government payables</i>				
<b>Financial assets:</b>				
Cash	P2,958,892	P-	P-	P2,958,892
Trade and other receivables	7,343,518	14,840,150	-	22,183,668
Amounts owed by related parties	41,924,200	-	-	41,924,200
AFS investment	-	-	1,289,278,350	1,289,278,350
	<b>P52,226,610</b>	<b>P14,840,150</b>	<b>P1,289,278,350</b>	<b>P1,356,345,110</b>

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

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

**Credit Risk**

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

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

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

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

*Credit quality per class of financial asset*

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

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

*Interest Rate Risk*

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

Fair Value and Categories of Financial Instruments

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

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

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

*AFS investment*

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

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

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

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

### Fair Value Hierarchy

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

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

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

### Capital Management

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

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

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

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

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

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

### 18. Supplementary Information to the Statements of Cash Flows

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

### 19. Business Segment Information

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

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

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

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

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



	2012		
	IT Resource management	IT products and services	Total
Equity in net losses of associates	P-	P3,076,725	P3,076,725
Provision for income tax		(203,502)	(203,502)
Net loss	12,565,837	124,947,506	137,513,343
Other information:			
Investments and advances	-	1,294,278,350	1,294,278,350
Capital expenditures	5,460,109	11,092,548	16,552,657
Segment assets	(11,755,882)	1,416,358,634	1,404,602,752
Segment liabilities	38,780,748	386,511,685	425,292,433
Depreciation and amortization	2,044,851	4,908,034	6,952,885
	2011		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	P21,386,746	P3,889,372	P25,276,118
Interest income	5,252	1,845,953	1,851,205
Scrap sales	4,700	-	4,700
Total revenue	P21,396,698	P5,735,325	P27,132,023
Equity in net losses of associates	P-	P7,888,415	P7,888,415
Provision for income tax	-	104,789	104,789
Net loss	52,317,653	89,019,454	141,337,107
Other information:			
Investments and advances	-	1,297,355,075	1,297,355,075
Capital expenditures	5,626,679	10,901,613	16,528,292
Segment assets	18,463,549	1,396,693,712	1,415,157,261
Segment liabilities	21,608,169	253,213,166	274,821,335
Depreciation and amortization	1,010,473	3,661,097	4,671,570
	2010		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	P254,952	P-	P254,952
Interest income	-	992,629	992,629
Total revenue	P254,952	P992,629	P1,247,581
Equity in net losses of associates	P-	P4,528,387	P4,528,387
Provision for income tax	1,485	23,882	25,367
Net loss	1,594,585	35,344,897	36,939,482
Other information:			
Investments and advances	-	1,315,749,963	1,315,749,963
Capital expenditures	348,160	7,992,806	8,340,966
Segment assets	1,757,102	1,365,387,463	1,367,144,565
Segment liabilities	1,940,809	82,825,780	84,766,589
Depreciation and amortization	19,826	446,949	466,775

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

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

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

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

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

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**ANNEX E**

**COVER SHEET**

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 SEC Registration Number

I N F O R M A T I O N C A P I T A L T E C H N O L O G Y V E  
 N T U R E S , I N C .  
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(Company's Full Name)

U n i t 5 - 1 , 5 t h F l o o r , O P L B u i l d i n g  
 1 0 0 C . P a l a n c a S t . , L e g a s p i V i l l a  
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 \_\_\_\_\_  
 \_\_\_\_\_

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

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

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

1 2    3 1  
 Month    Day  
 (Calendar Year)

**A A P F S**  
 (Form Type)

0 6    0 3  
 Month    Day  
 (Annual Meeting)

**N/A**  
 (Secondary License Type, if Applicable)

\_\_\_\_\_  
 Dept. Requiring this Doc.

**N/A**  
 Amended Articles Number/Section

**71**  
 Total No. of Stockholders

Total Amount of Borrowings  
**N/A**    **N/A**  
 Domestic    Foreign

To be accomplished by SEC Personnel concerned

\_\_\_\_\_  
 File Number  
 \_\_\_\_\_  
 Document ID

\_\_\_\_\_  
 LCU  
 \_\_\_\_\_  
 Cashier

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SyCip Gorres Velayo & Co.  
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1226 Makati City  
Philippines  
Phone: (632) 891 0307  
Fax: (632) 819 0872  
www.sgv.com.ph

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

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Parent Company Financial Statements

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

#### *Management's Responsibility for the 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.



*Opinion*

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

**Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010**

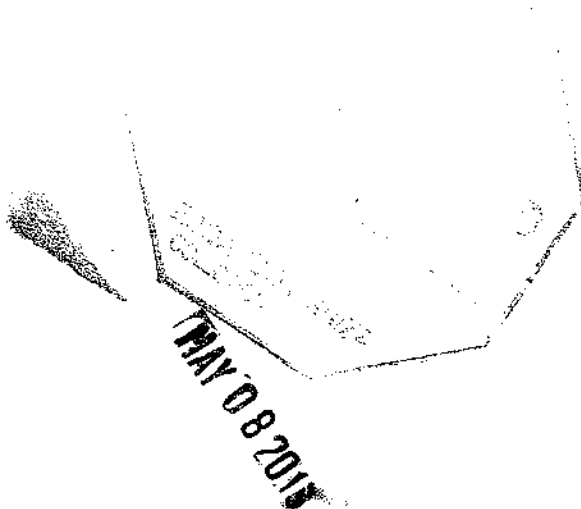
Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 19 and 20, respectively, to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Information Capital Technology Ventures, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Leovina Mae V. Chu*

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

April 26, 2013



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**PARENT COMPANY BALANCE SHEETS**

	December 31	
	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	₱876,480	₱1,382,278
Trade and other receivables (Note 5)	27,420,279	15,650,148
Amounts owed by related parties (Note 10)	65,597,282	51,736,976
Other current assets (Note 6)	4,529,827	7,016,525
<b>Total Current Assets</b>	<b>98,423,868</b>	<b>75,785,927</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 7)	1,300,989,206	1,314,395,679
Property and equipment - net (Note 8)	15,395,638	14,306,223
Other noncurrent assets - net of accumulated amortization of computer software amounting to ₱395,041 and ₱163,218 as of December 31, 2012 and 2011, respectively (Note 7)	24,269,301	22,053,640
<b>Total Noncurrent Assets</b>	<b>1,340,654,145</b>	<b>1,350,755,542</b>
<b>TOTAL ASSETS</b>	<b>₱1,439,078,013</b>	<b>₱1,426,541,469</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Note 12)	₱40,500,000	₱-
Current portion of obligations under finance lease (Note 11)	3,076,625	3,437,591
Accounts payable and accrued expenses (Note 9)	79,262,257	30,867,264
Amounts owed to related parties (Note 10)	3,352,918	212,262,519
Income tax payable	-	69,728
<b>Total Current Liabilities</b>	<b>126,191,800</b>	<b>246,637,102</b>
<b>Noncurrent Liabilities</b>		
Obligations under finance lease - net of current portion (Note 11)	3,683,905	8,357,168
Amounts owed to related parties (Note 10)	272,558,399	-
<b>Total Noncurrent Liabilities</b>	<b>276,242,304</b>	<b>8,357,168</b>
<b>Equity</b>		
Capital 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	(280,634,441)	(145,731,151)
<b>Total Equity</b>	<b>1,036,643,909</b>	<b>1,171,547,199</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,439,078,013</b>	<b>₱1,426,541,469</b>

See accompanying Notes to Parent Company Financial Statements.



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**PARENT COMPANY STATEMENTS OF INCOME**

	Years Ended December 31		
	2012	2011	2010
<b>REVENUES</b>			
Service fees	P23,599,974	P17,806,661	P254,952
Marketing, management and consultancy fees (Note 10)	6,135,000	2,535,000	-
Interest (Note 10)	1,120,751	1,848,879	992,629
	<b>30,855,725</b>	<b>22,190,540</b>	<b>1,247,581</b>
<b>COST AND EXPENSES</b>			
Outside services (Note 10)	52,250,757	55,645,296	22,292,764
Interest expense (Note 10)	38,772,812	21,376,850	-
Cost of services	20,722,789	17,028,922	178,511
Provision on impairment losses on investments (Note 7)	13,906,473	7,888,415	4,528,387
Communication	6,730,163	2,192,465	291,934
Depreciation and amortization (Note 8)	5,786,049	4,003,234	466,775
Transportation and travel	5,687,756	3,180,348	914,461
Professional fees	4,887,416	10,797,028	1,356,471
Advertising and promotion	4,370,150	425,011	-
Entertainment, amusement and recreation (EAR)	3,045,644	2,310,528	245,114
Utilities	2,561,980	562,090	870,498
Rental	2,152,390	2,455,293	2,874,203
Provision on impairment loss on receivables (Note 5)	909,880	664,603	-
Dues and subscription	852,978	864,762	178,034
Training and development	705,731	680,822	153,997
Office supplies	608,958	831,489	212,667
Insurance	400,204	98,691	2,422
Foreign exchange loss	230,396	341,424	-
Taxes and licenses	249,098	523,512	2,436,367
Repairs and maintenance	243,784	250,313	346,481
Directors' fees	37,725	46,500	49,500
Research and development costs	-	-	17,000
Others	442,380	813,726	746,110
	<b>165,555,513</b>	<b>132,981,322</b>	<b>38,161,696</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>134,699,788</b>	<b>110,790,782</b>	<b>36,914,115</b>
<b>PROVISION FOR INCOME TAX (Note 14)</b>			
Current:			
Income	202,565	103,059	20,939
Final	937	1,730	4,428
	<b>203,502</b>	<b>104,789</b>	<b>25,367</b>
<b>NET LOSS</b>	<b>P134,903,290</b>	<b>P110,895,571</b>	<b>P36,939,482</b>
<b>Basic/Diluted Loss Per Share (Note 15)</b>	<b>P0.1024</b>	<b>P0.0842</b>	<b>P0.0280</b>

See accompanying Notes to Parent Company Financial Statements.



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2012	2011	2010
NET LOSS	₱134,903,290	₱110,895,571	₱36,939,482
OTHER COMPREHENSIVE INCOME	-	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱134,903,290</b>	<b>₱110,895,571</b>	<b>₱36,939,482</b>

*See accompanying Notes to Parent Company Financial Statements.*

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**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

	Capital stock	Retained earnings (Deficit)	Total
Balances at December 31, 2009	₱1,317,278,350	₱2,103,902	₱1,319,382,252
Net loss for the year	—	(36,939,482)	(36,939,482)
Other comprehensive income	—	—	—
Total comprehensive income	—	(36,939,482)	(36,939,482)
Balances at December 31, 2010	₱1,317,278,350	(₱34,835,580)	₱1,282,442,770
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

*See accompanying Notes to Parent Company Financial Statements.*



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P134,699,788)	(P110,790,782)	(P36,914,115)
Adjustments for:			
Interest expense	38,772,812	-	-
Provision for impairment loss on investments (Note 7)	13,906,473	7,888,415	4,528,387
Depreciation and amortization (Note 8)	5,786,049	4,003,234	466,775
Provision for impairment loss on receivables	909,880	664,603	-
Unrealized foreign exchange loss	180,058	-	-
Interest income	(1,120,751)	(1,848,879)	(22,140)
Operating loss before working capital changes	(76,265,267)	(100,083,409)	(31,941,093)
Increase in:			
Trade and other receivables	(13,002,129)	(14,572,660)	(1,709,002)
Other current assets	2,283,196	(5,552,313)	(1,234,375)
Decrease in accounts payable and accrued expenses	9,868,256	8,617,771	21,536,189
Net cash used in operations	(77,115,944)	(111,590,611)	(13,348,281)
Interest received	186,686	505,693	22,140
Interest paid	(246,076)	-	-
Income taxes paid	(69,728)	(56,000)	(284,452)
Net cash flows used in operating activities	(77,245,062)	(111,140,918)	(13,610,593)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Increase in noncurrent assets	(2,447,483)	(71,093)	(430,417)
Acquisition of property and equipment (Notes 8 and 17)	(6,643,641)	(3,593,204)	(1,669,766)
Deposits for future stock subscriptions (Note 7)	-	(15,715,348)	(6,000,000)
Advances to an associate (Note 7)	-	-	(5,000,000)
Increase in amounts owed by related parties	(12,783,796)	(18,587,951)	(5,071,017)
Additional investments in subsidiaries and associates (Note 7)	(500,000)	(6,534,131)	(26,000,000)
Net cash flows used in investing activities	(22,374,920)	(44,501,727)	(44,171,200)
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Increase in amounts owed to related parties	58,614,569	154,919,121	55,697,233
Proceeds from loans	40,500,000	-	-
Net cash flows from financing activities	99,114,569	154,919,121	55,697,233
<b>NET DECREASE IN CASH</b>	(505,413)	(723,524)	(2,084,560)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	(385)	-	-
<b>CASH AT BEGINNING OF YEAR</b>	1,382,278	2,105,802	4,190,362
<b>CASH AT END OF YEAR</b>	P876,480	P1,382,278	P2,105,802

See accompanying Notes to Parent Company Financial Statements.



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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**1. Corporate Information**

Information Capital Technology Ventures, Inc. (the Company) was a wholly-owned subsidiary of Amalgated Investment Bancorporation (AIB), a full-fledged and duly licensed investment house when it was originally incorporated on June 5, 1996 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 23 July 2003, 8,000,000 common shares of the Company were approved to be listed in the Philippine Stock Exchange 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.

The Company's stockholders and the SEC approved the change in name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. on June 2, 2006 and September 19, 2006, respectively.

In July 2008, the SEC approved the amendment of the articles of incorporation which provides for the change in the primary purpose from a securities broker to a technology, media and telecommunications (TMT) company. This will enable the Company to start operations relating to various TMT services. These include telecommunications value added service (VAS) through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; as well as activities directly or indirectly connected to these. With the amendment in the articles of incorporation, among the programs that management plans to undertake are providing telecommunications VAS through iDEN, CDMA, GSM and broadband networks worldwide; and, entering the software



development services industry by expanding the markets being served by proprietary enterprise solutions it has developed and will develop for inter-network deployment nationwide and worldwide. The Company plans to develop and market worldwide mobile data applications that will run on different platforms. It also plans to develop and market digital media content.

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

As of December 31, 2012, 2011 and 2010, the Company has 69, 66 and 64 shareholders, respectively.

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 7).

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

On October 1, 2010, the Company entered into an agreement with Holy Cow Animation, Inc. (Holy Cow) and its stockholders whereby the Company shall subscribe to new shares of stock of Holy Cow totaling 53,937 shares which will be equivalent to 50% equity interest in Holy Cow, post investment (see Note 7).

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

On December 20, 2010, the Company entered into an agreement with Softweb Consulting, Inc. (Softweb) and its stockholders whereby the Company shall purchase/subscribe to shares of stock



of Softweb totaling 5,050 shares which will be equivalent to 50% equity interest in Softweb, post investment (see Note 7).

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 (see Note 7).

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

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

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

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

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

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

On March 17, 2011 the Company's Board of Directors (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 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 September 02, 2011, the Company entered into a Memorandum of Understanding with Huawei International Pte., Ltd., Huawei Technologies Phils., Inc. and NMI. The parties desire to explore the possibility of entering into a business relationship which will allow each party to provide its respective contribution in order to attain the common purpose of implementing NMI's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NMI in partnership with the world's largest information technology company Huawei.

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

The Company has finished the development of its first telematics product the iScan. Telematics is a system that involves the integration of telecommunications and informatics, with products and services that will provide mobile services using Blackberry and Nokia phones. The 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.

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

The Company has no regular employees as of December 31, 2012 and 2011. Its administrative functions are being handled by the employees of KPSC (see Note 10).

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

During the March 12, 2013 Regular BOD Meeting, the BOD delegated to the Chairman and President the authority to approve the issuance of the parent company financial statements as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012.



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

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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 amended PFRS which were adopted as of January 1, 2012:

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

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

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

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 from IFRIC to have significant impact on its



financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

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

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

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

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

*PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27, *Consolidated and Separate Financial Statements*. The adoption of PFRS 10 will have no impact on the Parent Company's financial statements.

*PFRS 11, Joint Arrangements*

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

*PFRS 12, Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries,





joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and will have no impact on the parent company's financial statements.

*PFRS 13, Fair Value Measurement*

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

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

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

*PAS 19, Employee Benefits (Revised)*

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

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

PAS 27 revision is a consequence of the issuance of the new PFRS 10 and PFRS 12, What remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the revised PAS 27 will not have an impact on the parent company's financial statements.

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

PAS 28 revision is a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The impact of revised PAS 27 on the parent company's financial statements will be assessed.

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

Philippine Interpretation IFRIC 20 applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory.



When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. The parent company expects that this interpretation will not have any impact on its financial position or performance.

*Effective in 2014*

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

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

*Effective in 2015*

*PFRS 9, Financial Instruments*

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

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



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

*Effective Date Deferred*

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

*Annual Improvements to PFRS (2009-2011 cycle)*

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

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

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

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

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

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



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

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

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

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

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### 3. Summary of Significant Accounting Policies

#### Financial Instruments

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, 2012 and 2011, 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, 2012 and 2011, 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" 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.

### Derecognition of Financial Assets and Liabilities

#### *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.

Investment in a Subsidiary and an Associate

Investments in a subsidiary (entity over which the Company controls) and associate (entity over which the Company has significant influence and which are neither subsidiaries nor joint ventures) are accounted for under the cost method of accounting in the parent company financial statements.

The investments are carried in the parent company 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 recovery of investment and are recognized as a reduction of the cost of the investment.

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 at the balance sheet date.

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



### Capital Stock

Ordinary shares are classified as equity.

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

Where the 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 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:

#### *Service revenue*

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

#### *Marketing, management and consultancy fees*

Fees are recognized when the related services have been rendered.

#### *Interest*

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

### Cost and Expenses

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

### Leases

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



*Operating lease commitments - 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 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 the balance sheet 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 18.



#### 4. Significant Accounting Judgments 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 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 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 ₱909,880 and ₱664,603 in 2012 and 2011 respectively (see Note 5).

Loans and receivables amounted to ₱93,894,041 and ₱68,769,402 as of December 31, 2012 and 2011, 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, 2012 and 2011, the carrying amounts of property and equipment amounted to ₱15,395,638 and ₱14,306,223, 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 10 years as well as the terminal value at the end of 10 years. The recoverable amount is most sensitive to changes in the discount rate and growth rates used in the discounted cash flows.

No impairment loss was recognized on the AFS investments. The carrying amount of AFS investments amounted to ₱1,289,278,350 as of December 31, 2012 and 2011 (see Note 7).

*Estimating realizability of deferred income tax assets*

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

In 2012 and 2011, the Company did not recognize deferred income tax assets amounting to ₱188,071,773 and ₱108,651,080 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, 2012 and 2011, the Company recognized provision on impairment loss on investments amounting to ₱13,906,473 and ₱7,888,415, respectively (see Note 7).

As of December 31, 2012 and 2011, the carrying values of nonfinancial assets comprised of property and equipment, other current assets, investments and other noncurrent assets amounted to ₱1,345,183,972 and ₱1,357,772,067, respectively (see Notes 6 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 consolidated statements of comprehensive income and changes in consolidated equity. The fair values of financial assets and liabilities are set out in Note 16 to the financial statements.

**5. Trade and Other Receivables**

	2012	2011
Trade		
Related party	₱14,708,010	₱1,840,400
Third party	9,040,622	11,111,177
Advances to officers and employees	2,878,358	1,330,174
Others (Notes 7 and 10)	2,367,772	2,033,000
	28,994,762	16,314,751
Less allowance for impairment loss	1,574,483	664,603
	<b>₱27,420,279</b>	<b>₱15,650,148</b>

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

Movements in allowance for impairment losses are as follows:

	2012	2011
Balance as at January 1	₱664,603	₱-
Provision for the year	909,880	664,603
Balance as at December 31	<b>₱1,574,483</b>	<b>₱664,603</b>



## 6. Other Current Assets

	2012	2011
Prepayments	₱2,274,602	₱5,852,049
Input value added tax (VAT) - net	1,996,067	1,044,924
Others	259,158	119,552
	<b>₱4,529,827</b>	<b>₱7,016,525</b>

## 7. Investments and Advances

### *Investments*

As mentioned in Note 1, the Company 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.

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

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

On June 17, 2011, the Company acquired 34,000 shares of Softrigger for a 67% equity interest through the conversion into equity of Softrigger's unpaid loans to the Company. Accordingly, Softrigger became a subsidiary as of this date. As of December 31, 2012, investment in Softrigger has been fully-impaired.

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.

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, 2012 and 2011, the components of the carrying amounts of investments accounted for under the cost method are as follows:

	2012	2011
<b>Cost:</b>		
Balance at beginning of year	₱32,534,131	₱26,000,000
Additions	500,000	6,534,131
<b>Balance at end of year</b>	<b>33,034,131</b>	<b>32,534,131</b>
<b>Allowance for impairment losses:</b>		
Balance at beginning of year	12,416,802	4,528,387
Provision for impairment losses	13,906,473	7,888,415
<b>Balance at end of year</b>	<b>26,323,275</b>	<b>12,416,802</b>
	<b>₱6,710,856</b>	<b>₱20,117,329</b>

As of December 31, 2012 and 2011, 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 NMI classified as AFS investment.

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

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

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

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

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



As of December 31, 2012 and 2011, the Company's investment in NMI amounted to ₱1,289,278,350.

*Deposits for Future Stock Subscriptions*

As mentioned in Note 1, the Company entered into agreements with Thumbmob and Holy Cow for the subscription of Thumbmob and Holy Cow shares amounting to ₱14,344,868 and ₱9,004,163, respectively, in 2012 and ₱14,344,868 and ₱7,370,550, respectively, in 2011. 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.

In addition, the Company has an outstanding loan and interest receivable from Holy Cow amounting to ₱2,367,772 and ₱2,033,000 as of December 31, 2012 and 2011, respectively (see Note 5).

**8. Property and Equipment**

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

As of December 31, 2011

	Office Equipment	Transportation Equipment	Leasehold Improvements	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱925,726	₱7,486,221	₱—	₱—	₱8,411,947
Additions	1,591,279	7,683,698	664,084	296,143	10,235,204
Ending balances	2,517,005	15,169,919	664,084	296,143	18,647,151
Accumulated depreciation:					
Beginning balances	183,855	301,386	—	—	485,241
Depreciation	931,121	2,446,798	448,520	29,248	3,855,687
Ending balances	1,114,976	2,748,184	448,520	29,248	4,340,928
Net book value	₱1,402,029	₱12,421,735	₱215,564	₱266,895	₱14,306,223

Cost of fully depreciated assets still in use amounted to ₱925,725 and ₱70,980 as of December 31, 2012 and 2011, respectively.

Transportation equipments are purchased under a finance lease (see Note 11).



**9. Accounts Payable and Accrued Expenses**

	2012	2011
Trade and other payables		
Third parties	₱12,914,275	₱3,411,576
Related parties (Note 10)	2,035,055	757,000
Accrued interest	59,903,586	21,376,850
Accrued expenses	3,181,082	4,004,827
Deferred output VAT	736,200	-
Withholding tax	492,059	1,317,011
	<b>₱79,262,257</b>	<b>₱30,867,264</b>

**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 Next Mobile, Inc. (NMI) to the Company's clients for a period of three years until May 2008. In consideration thereof, the Company billed NMI ₱5,000,000 in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NMI's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement is effective until October 2006. A success fee of ₱850,000 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained would be paid by NMI. In 2006, the Company billed NMI ₱3,100,000 for its services.

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

- b. On August 30, 2005, the Company entered into a Loan Agreement with 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% interest per annum and is payable no later than August 30, 2010. Partial pre-payments on the principal may be made prior to this date. The interest is due and demandable only on maturity date.

On April 25, 2007, the Company and IBI agreed to reduce the interest to 5.5% per annum effective for 2007. Subsequent to 2007, the interest shall be subject to annual repricing. The prevailing market interest rate agreed by both parties in 2009 and 2008 is 9%.

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

IBI is under common ownership with the Company.



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

Velarde, Inc. is a stockholder of the Company.

- d. 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 nil in 2012 and ₱2,482,061 in 2011 and 2010.

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

On December 17, 2009, the Company and EII agreed that the Company shall lease the whole floor of the condominium, consisting a total area of 546 square meter. The monthly rental from January 1 to October 31, 2010 will increase from ₱100 to ₱431 per square meter, for a total monthly rental of ₱235,590. For the period November 1, 2010 to October 31, 2011, the sublessee shall pay monthly rental at the rate of ₱474 per square meter, for a total monthly rental of ₱259,149. The contract ended on 2011 and there was no renewal for the lease for 2012 since the Company changed their lessor and location for 2012.

Amounts owed to EII amounted to ₱2,902,918 as of December 31, 2012 and 2011.

EII is a stockholder of the Company.

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

As of December 31, 2012 and 2011, the Company has nil and ₱757,000 outstanding payable to KPSC, respectively. KPSC has cooperators who are also stockholders of the Company.

- f. 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 2011, the Company also incurred additional liability from Velarde, Inc. as further discussed in Note 11.

On August 15, 2012, the BOD has agreed to enter into an agreement with Velarde, Inc. for the deferment of accrual of interest starting November 2012. Thus, no interest were accrued starting November 2012.

Net amounts owed to Velarde, Inc. amounted to ₱272,558,399 and ₱205,554,419 as of December 31, 2012 and 2011, respectively.



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

Related parties <i>Shareholders</i>	Category	Amount	Amounts owed by related party	Trade and other Receivables	Amounts owed to related party	Trade and Payables		Terms	Conditions
						Other	Payables		
GHI	Advances 2012 2011	₱2,035,055	₱-	₱-	₱-	₱2,035,055	-	On demand	Unsecured, no impairment
		-	-	-	-	-	-	On demand	Unsecured, no impairment
Velarde, Inc.	Advances 2012 2011	67,003,980	-	-	272,558,399	-	-	On demand	Unsecured
		152,696,534	-	-	205,554,419	-	-	On demand	Unsecured
EEI	Advances 2012 2011	6,140	6,140	-	-	-	-	On demand	Unsecured, no impairment
		-	-	-	-	-	-	On demand	Unsecured, no impairment
<i>Affiliates</i> NMI	Lease 2012 2011	-	-	-	2,902,918	-	-	On demand	Unsecured
		2,482,061	-	-	2,902,918	-	-	On demand	Unsecured
KPSC	Advances 2012 2011	4,751,619	18,056,812	-	-	-	-	On demand	Unsecured, no impairment
		9,582,138	13,305,263	-	-	-	-	On demand	Unsecured, no impairment
AIC	Services 2012 2011	105,000	752,470	-	-	-	-	On demand	Unsecured, no impairment
		62,849,479	857,470	-	-	-	-	On demand	Unsecured, no impairment
(Forward)	Advances to 2012 2011	56,233,241	-	-	-	757,000	-	On demand	Unsecured
		511,858	542,358	-	-	-	-	On demand	Unsecured, no impairment
		30,500	30,500	-	-	-	-	On demand	Unsecured, no impairment



Related parties	Category	Amount	Amounts owed by related party		Trade and Other Receivables		Amounts owed to related party	Trade and Other Payables		Terms	Conditions
			2012	2011	2012	2011		2012	2011		
JSIT	Advances	₱2,706,401	₱3,723,956	-	-	-	-	-	On demand	Unsecured, no impairment	
		1,017,555	1,017,555	-	-	-	-	-	On demand	Unsecured, no impairment	
Porteon Electric Vehicles, Inc.	Loans	-	2,160,300	-	-	-	-	-	On demand	Unsecured, no impairment	
		2,160,300	2,160,300	-	-	-	-	-	On demand	Unsecured, no impairment	
IBI	Advances	-	15,567,752	-	-	-	-	-	On demand	Unsecured, no impairment	
		-	15,567,752	-	-	-	-	-	On demand	Unsecured, no impairment	
	Interest	934,065	9,594,827	-	-	-	-	-	On demand	Unsecured, no impairment	
		934,065	8,660,764	-	-	-	-	-	On demand	Unsecured, no impairment	
Holycow	Loans	178,772	-	2,211,772	-	-	-	-	On demand	Unsecured, no impairment	
		1,800,000	-	2,033,000	-	-	-	-	On demand	Unsecured, no impairment	
	Interest	156,000	-	156,000	-	-	-	-	On demand	Unsecured, no impairment	
		104,000	-	-	-	-	-	-	On demand	Unsecured, no impairment	
Subsidiaries	Advances	-	3,443	-	-	-	-	-	On demand	Unsecured, no impairment	
Porteon		3,443	3,443	-	-	-	-	-	On demand	Unsecured, no impairment	

(Forward)



Related parties	Category	Amount	Amounts owed		Trade and Other Receivables	Amounts owed to related party	Trade and Other Payables		Terms	Conditions
			by related party	Other related party			Other Receivables	Other Payables		
I-Resource	Advances 2012	₱736,166	₱3,391,277	-	-	-	-	On demand	Unsecured, no impairment	
	2011	2,655,112	2,655,112	-	-	-	-	On demand	Unsecured, no impairment	
Softigger	Advances 2012	854,770	7,029,587	-	-	-	-	On demand	Unsecured, no impairment	
	2011	5,943,062	6,174,817	-	-	-	-	On demand	Unsecured, no impairment	
Management fees	2012	1,095,000	-	2,452,880	-	-	-	On demand	Unsecured, no impairment	
	2011	1,095,000	-	1,226,400	-	-	-	On demand	Unsecured, no impairment	
Softweb	Advances 2012	7,269,542	4,054,360	-	-	-	-	On demand	Unsecured, no impairment	
	2011	590,000	590,000	-	3,805,182	-	-	On demand	Unsecured, no impairment	
Loans	2012	-	714,000	-	-	-	-	On demand	Unsecured, no impairment	
	2011	714,000	714,000	-	-	-	-	On demand	Unsecured, no impairment	
Services	2012	17,159,155	-	6,244,535	-	-	-	On demand	Unsecured, no impairment	
	2011	-	-	-	-	-	-	On demand	Unsecured, no impairment	
Management Fees	2012	4,800,000	-	5,990,000	-	-	-	On demand	Unsecured, no impairment	
	2011	1,200,000	-	614,000	-	-	-	On demand	Unsecured, no impairment	
I-Professional	Advances 2012	429,326	-	20,674	450,000	-	-	On demand	Unsecured, no impairment	
	2011	-	-	-	-	-	-	On demand	Unsecured, no impairment	
<b>Total</b>	2012		₱65,597,282	₱17,075,781	₱275,911,317	₱2,035,055				
<b>Total</b>	2011		51,736,976	3,873,400	212,262,519	757,000				



### 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, 2012 and 2011 are as follows:

	2012	2011
Within one year	₱3,682,332	₱6,751,040
After one year but not more than five years	3,962,578	7,718,582
Total minimum lease obligations	7,644,910	14,469,622
Less interest portion	884,380	2,674,863
Present value of minimum lease obligations	6,760,530	11,794,759
Less current portion	3,076,625	3,437,591
Noncurrent portion	₱3,683,905	₱8,357,168

### 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.

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

### 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 NMI (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, 2012, the proposed increase in authorized capital stock is pending implementation and application with the SEC.





#### 14. Income Taxes

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

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

	2012	2011	2010
Statutory income tax at 30%	(P40,409,936)	(P33,237,235)	(P11,074,235)
Tax effects of:			
Unrecognized deferred income tax assets on:			
NOLCO and MCIT	23,641,022	23,546,060	8,939,382
Allowance for impairment losses	272,964	199,381	-
Unrealized foreign exchange loss	54,017	-	-
Provision for impairment loss on investments	4,171,942	2,366,525	1,358,516
Unallowable EAR	869,802	632,133	69,858
Nondeductible interest expense	11,552,622	6,413,055	-
Nondeductible professional fees	-	-	196,744
Interest income subjected to final tax	(1,406)	(2,595)	(6,642)
Final tax on interest income	937	1,730	4,428
Others	51,538	185,735	537,316
	<b>P203,502</b>	<b>P104,789</b>	<b>P25,367</b>

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:

	2012	2011	2010
NOLCO	P185,990,669	P107,862,479	P29,728,742
Allowance for impairment losses	1,574,483	664,603	-
MCIT	326,563	123,998	20,939
Unrealized foreign exchange loss	180,058	-	-
	<b>P188,071,773</b>	<b>P108,651,080</b>	<b>P29,749,681</b>

As of December 31, 2012, 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.



<i>NOLCO</i>					
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
<b>Total</b>		<b>₱185,990,669</b>	<b>₱-</b>	<b>₱-</b>	<b>₱185,990,669</b>

<i>MCIT</i>					
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
<b>Total</b>		<b>₱326,563</b>	<b>₱-</b>	<b>₱-</b>	<b>₱326,563</b>

### 15. Basic/Diluted EPS

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

	2012	2011	2010
Net income (loss) (a)	(₱134,903,290)	(₱110,895,571)	(₱36,939,482)
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	1,317,278,350	1,317,278,350	1,317,278,350
<b>Basic/dilutive EPS (a/b)</b>	<b>(₱0.1024)</b>	<b>(₱0.0842)</b>	<b>(₱0.0280)</b>

For the three years in the period ended December 31, 2012, 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 and amounts owed to related parties and obligations under finance lease.

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, 2012 and 2011, 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, 2012**

	On demand	Within 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses*	₱78,033,998	₱-	₱-	₱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
	₱121,886,916	₱-	₱272,558,399	₱394,445,315

\*Except government payables

	On demand	Within 1 year	More than 1 year	Total
<b>Financial assets:</b>				
Cash	₱876,480	₱-	₱-	₱876,480
Trade and other receivables	27,420,279	-	-	27,420,279
Amounts owed by related parties	65,597,282	-	-	65,597,282
AFS investment	-	-	1,289,278,350	1,289,278,350
	₱93,894,041	₱-	₱1,289,278,350	₱1,383,172,391

**December 31, 2011**

	On demand	Within 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses*	₱8,173,403	₱-	₱-	₱8,173,403
Amounts owed to related parties	212,262,519	-	-	212,262,519
	₱220,435,922	₱-	₱-	₱220,435,922

\*Except government payables

	On demand	Within 1 year	More than 1 year	Total
<b>Financial assets:</b>				
Cash	₱1,382,278	₱-	₱-	₱1,382,278
Trade and other receivables	879,000	14,771,148	-	15,650,148
Amounts owed by related parties	51,736,976	-	-	51,736,976
AFS investment	-	-	1,289,278,350	1,289,278,350
	₱53,998,254	₱14,771,148	₱1,289,278,350	₱1,358,047,752



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, 2012 and 2011, 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 ₱1,383,172,391 and ₱1,358,047,752 as of December 31, 2012 and 2011, respectively, as standard grade financial assets. Standard grade financial asset are those that are current and collectible.

The Company has impaired receivables amounting to ₱1,574,482 and ₱664,603 as of December 31, 2012 and 2011, respectively.

#### *Interest Rate Risk*

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

#### Fair Value and Categories of Financial Instruments

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

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

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

#### *Obligations under finance lease*

The fair value of finance lease obligation is based on the discounted net present value of cash flows using effective discount rates of 9.55% to 17.07% in 2012 and 2011, respectively.



*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.

*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 ICTV's risk management policy, ICTV maintains monitoring of the fluctuations of foreign exchange rates. On borrowing, it is ICTV'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:

	2012			
	In \$	In Php	In ¥	In Php
<b>Financial Assets</b>				
Cash	\$816	₱33,456	¥-	₱-
Receivables	154,021	6,322,563	-	-
Due from related parties	-	-	7,184,178	3,439,006
	<u>\$154,837</u>	<u>₱6,356,019</u>	<u>¥7,184,178</u>	<u>₱3,439,006</u>

The prevailing rate of exchange as of December 31, 2012 are as follows:

Peso to US Dollar	: ₱41.05
Peso to Japanese Yen	: ₱0.48

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.

2012	Appreciates (depreciates) by	Effect on income before income tax	
		In \$	In ¥
	+5%	317 801	171,950
	-5%	(317,801)	(171,950)

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

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Loans and receivables:</i>				
Cash	₱876,480	₱876,480	₱1,382,278	₱1,382,278
Trade and other receivables	27,420,279	27,420,279	15,650,148	15,650,148
Amounts owed by related parties	65,597,282	65,597,282	51,736,976	51,736,976
	<u>₱93,894,041</u>	<u>₱93,894,041</u>	<u>₱68,769,402</u>	<u>₱68,769,402</u>
<i>Investment:</i>				
AFS investment	₱1,289,278,350	₱1,289,278,350	₱1,289,278,350	₱1,289,278,350



	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Other financial liabilities:</i>				
Loans payable	₱40,500,000	₱40,500,000	₱-	₱-
Accounts payable and accrued expenses	78,033,998	78,033,998	29,550,253	29,550,253
Amounts owed to related parties	275,911,317	275,911,317	212,262,519	212,262,519
	<b>₱394,445,315</b>	<b>₱394,445,315</b>	<b>₱241,812,772</b>	<b>₱241,812,772</b>

*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, 2012, the Company does not have any financial instruments to be presented under the fair value hierarchy required by PFRS 7.

Capital Management

The primary objective of the 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, 2012 and 2011.

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

	2012	2011
Capital stock	₱1,317,278,350	₱1,317,278,350
Deficit	(280,634,441)	(145,731,151)
	<b>₱1,036,643,909</b>	<b>₱1,171,547,199</b>



**17. Supplementary Information to the Parent Company Statements of Cash Flows**

Acquisition of transportation equipment under finance lease arrangement with Velarde, Inc. amounted to nil and ₱7,683,698 in 2012 and 2011, respectively (see Note 8).

**18. 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:

	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
<b>Total revenue</b>	<b>₱-</b>	<b>₱30,855,725</b>	<b>₱30,855,725</b>
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	P16,452,289	P3,889,372	P20,341,661
Interest income	2,926	1,845,953	1,848,879
<b>Total revenue</b>	<b>P16,455,215</b>	<b>P5,735,325</b>	<b>P22,190,540</b>
Provision for impairment losses	P-	P7,888,415	P7,888,415
Provision for income tax	-	104,789	104,789
Net loss	21,771,328	89,124,243	110,865,571
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	255,598,693	254,994,270
Depreciation and amortization	342,137	3,661,097	4,003,234
2010			
	IT Resource Services	Holding/Others	Total
Service, marketing, management and consultancy fees	P254,952	P-	P254,952
Interest income	-	992,629	992,629
<b>Total revenue</b>	<b>P254,952</b>	<b>P992,629</b>	<b>P1,247,581</b>
Provision for impairment losses	P-	P4,528,387	P4,528,387
Provision for income tax	1,485	23,882	25,367
Net loss	1,594,585	35,344,897	36,939,482
Other information:			
Investments and advances	-	1,315,749,963	1,315,749,963
Capital expenditures	348,160	7,992,806	8,340,966
Segment assets	1,757,102	1,365,387,463	1,367,144,565
Segment liabilities	1,940,809	82,825,780	84,766,589
Depreciation and amortization	19,826	446,949	466,775

**19. Supplementary Information under Revenue Regulations (RR) No. 19-2011**

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deduction taken.





The schedule and information of taxable income and deductions taken for 2012 are as follows:

a. Sales/Revenues/Receipts/Fees

	Amount
Sale of services	₱29,734,974

b. Cost of Services

The breakdown of the Company's cost of services for income tax purposes is as follows:

	Amount
Cost of IBM licenses	₱14,944,341
Outside services	3,985,092
Printing	1,596,295
Others	197,061
Total	₱20,722,789

c. Non-operating and Taxable Other Income

	Amount
Interest income not subject to final tax	₱1,116,065

d. Computation of Itemized Deductions

	Amount
Outside services	₱52,250,757
Communication, light and water	9,292,143
Depreciation and amortization	5,786,049
Transportation and travel	5,525,053
Professional fees	4,887,416
Advertising and promotion	4,370,150
Rental	2,152,390
Dues and subscription	852,978
Training and development	705,731
Office supplies	608,958
Insurance	400,204
Interest	264,073
Taxes and licenses	249,098
Security services	244,019
Repairs and maintenance	243,784
Fuel and oil	162,703
Representation and entertainment	146,304
Foreign exchange loss	50,338
Director's fees	37,725
Miscellaneous	26,567
Total	₱88,256,440



e. Breakdown of taxes and licenses

	Amount
Documentary stamp tax on lease contract	₱155,689
License and permits	28,619
Others	64,790
	₱249,098

20. **Supplementary Information Required Under 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 2012:

Value Added Tax

*Output VAT*

	Gross Receipts	Output VAT
Taxable sales	₱21,061,714	₱2,527,406
Zero-rated sales	1,380,497	--
Balance at December 31	₱22,442,211	₱2,527,406

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	₱1,044,924
Current year's domestic purchases/payments for: Services lodged under the other accounts	3,112,509
	4,157,433
Less application of output VAT and other adjustments	2,527,406
Balance at December 31	₱1,630,027

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:

Documentary stamp tax	₱155,689
License and permits	28,619
Others	64,790
	₱249,098



Withholding Taxes

Details of withholding taxes for the year are as follows:

Expanded withholding taxes	₱293,675
Final withholding taxes	284,351
	<hr/>
	₱578,026



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



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

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.

*Leovina Mae V. Chu*

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

April 26, 2013



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

Reconciliation of Unappropriated Retained Earnings Available for Dividend Distribution

Schedule of all Effective Standards and Interpretations under PFRS

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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Deficit, as adjusted to available for dividend distribution, beginning	(₱145,731,151)
Net loss during the year	(134,903,290)
<b>Deficit</b>	<b>(₱280,634,441)</b>

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

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

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



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

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

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

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

COVER SHEET

A 1 9 9 7 - 0 0 1 7 9  
SEC Registration Number

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

(Company's Full Name)

U n i t   5 - I ,   5 t h   F l o o r ,   O P L   B u i l d i n g  
1 0 0   C .   P a l a n c a   S t r e e t   L e g a s p i   V i l  
l a g e   M a k a t i   C i t y

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

Atty. Angeline Macasaet  
(Contact Person)

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

1 2   3 1  
Month   Day  
(Calendar Year)

1 7 - A  
(Form Type)

0 6   0 3  
Month   Day  
(Annual Meeting)

Not Applicable  
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable  
Amended Articles Number/Section

71  
Total No. of Stockholders

Total Amount of Borrowings  
Not Applicable   Not Applicable  
Domestic   Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

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

SYCIP GORRES VELAYO & CO.

*Leovina Mae V. Chu*

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

April 26, 2013



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

	December 31	
	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	P1,467,152	P2,958,892
Trade and other receivables (Note 5)	33,444,719	22,183,668
Amounts owed by related parties (Note 11)	52,137,222	41,924,200
Other current assets (Note 6)	5,749,482	8,245,337
<b>Total Current Assets</b>	<b>92,798,575</b>	<b>75,312,097</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 8)	1,294,278,350	1,297,355,075
Property and equipment - net (Note 9)	16,552,657	16,528,292
Other noncurrent assets (Notes 7 and 8)	24,485,434	25,961,797
<b>Total Noncurrent Assets</b>	<b>1,335,316,441</b>	<b>1,339,845,164</b>
<b>TOTAL ASSETS</b>	<b>P1,428,115,016</b>	<b>P1,415,157,261</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Note 13)	P40,500,000	P-
Current portion of obligations under finance lease (Note 12)	3,076,625	3,437,591
Accounts payable and accrued expenses (Note 10)	102,336,932	49,956,297
Amounts owed to related parties (Note 11)	2,948,339	213,000,551
Income tax payable	-	69,728
<b>Total Current Liabilities</b>	<b>148,861,896</b>	<b>266,464,167</b>
<b>Noncurrent Liabilities</b>		
Obligations under finance lease - net of current portion (Note 12)	3,683,905	8,357,168
Amounts owed to related parties (Note 11)	272,746,632	-
<b>Total Noncurrent Liabilities</b>	<b>276,430,537</b>	<b>8,357,168</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock - P1 par value (Note 14)		
Authorized - 1,320,000,000 shares		
Issued - 1,317,278,350 shares	1,317,278,350	1,317,278,350
Deficit	(309,971,214)	(173,287,152)
Cumulative translation adjustment	644,839	48,142
	1,007,951,975	1,144,039,340
<b>Non-controlling Interest</b>	<b>(5,129,392)</b>	<b>(3,703,414)</b>
<b>Total Equity</b>	<b>1,002,822,583</b>	<b>1,140,335,926</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P1,428,115,016</b>	<b>P1,415,157,261</b>

See accompanying Notes to Consolidated Financial Statements.





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

---

**CONSOLIDATED STATEMENTS OF INCOME**

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

(Forward)



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

*See accompanying Notes to Consolidated Financial Statements.*



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

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2012	2011	2010
<b>NET LOSS</b>	P138,110,040	P141,337,107	P36,939,482
<b>OTHER COMPREHENSIVE INCOME</b>			
Cumulative translation adjustment	596,697	48,142	—
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>P137,513,343</b>	<b>P141,288,965</b>	<b>P36,939,482</b>
<b>NET LOSS ATTRIBUTABLE TO:</b>			
Equity holders of the Parent	P136,087,365	P138,403,430	P36,939,482
Non-controlling interests	1,425,978	2,885,535	—
	<b>P137,513,343</b>	<b>P141,288,965</b>	<b>P36,939,482</b>

*See accompanying Notes to Consolidated Financial Statements.*



INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Attributable to equity holders of the parent			
	Capital stock	Retained earnings (deficit)	Cumulative translation adjustment	Non-controlling interest
	Capital stock	Retained earnings (deficit)	Cumulative translation adjustment	Non-controlling interest
Balances at December 31, 2009	₱1,317,278,350	₱2,103,902	₱-	₱-
Net loss for the year	-	(36,939,482)	-	-
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	(36,939,482)	-	-
Balances at December 31, 2010	₱1,317,278,350	(₱34,835,580)	₱-	₱-
Balances at December 31, 2010	₱1,317,278,350	(₱34,835,580)	₱-	₱-
Net loss for the year	-	(138,451,572)	48,142	(2,885,535)
Other comprehensive income	-	-	48,142	-
Total comprehensive income (loss)	-	(138,451,572)	48,142	(2,885,535)
Step-acquisition of an associate to a subsidiary	-	-	-	(817,879)
Balances at December 31, 2011	₱1,317,278,350	(₱173,287,152)	₱48,142	(₱3,703,414)
Balances at December 31, 2011	₱1,317,278,350	(₱173,287,152)	₱48,142	(₱3,703,414)
Net loss for the year	-	(136,684,062)	596,697	(1,425,978)
Other comprehensive income	-	-	596,697	-
Total comprehensive income (loss)	-	(136,684,062)	596,697	(1,425,978)
Balances at December 31, 2012	₱1,317,278,350	(₱309,971,214)	₱644,839	(₱5,129,392)
Balances at December 31, 2012	₱1,317,278,350	(₱309,971,214)	₱644,839	(₱5,129,392)

See accompanying Notes to Consolidated Financial Statements



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(₱137,906,538)	(₱141,232,318)	(₱36,914,115)
Adjustments for:			
Interest expense	38,785,247	21,376,850	-
Depreciation and amortization (Note 9)	6,952,885	4,671,570	466,775
Impairment loss on goodwill (Note 7)	3,821,331	-	-
Equity in net losses of associates (Note 8)	3,076,725	7,888,415	4,528,387
Unrealized foreign exchange loss	180,058	-	-
Provision on impairment loss on receivables (Note 5)	1,094,699	664,603	-
Loss on remeasurement of previously held interest	-	11,745,683	-
Loss on disposal of property and equipment	-	108,184	-
Interest income	(1,124,906)	(1,851,205)	(22,140)
Operating loss before working capital changes	(85,120,499)	(96,628,218)	(31,941,093)
Decrease (increase) in:			
Trade and other receivables	(16,357,068)	1,242,087	(1,709,002)
Other current assets	2,220,905	(7,039,474)	(1,234,375)
Increase (decrease) in accounts payable and accrued expenses	20,045,271	(4,839,760)	21,536,189
Net cash used in operations	(79,211,391)	(107,265,365)	(13,348,281)
Interest received	190,841	7,189	22,140
Interest paid	(246,076)	-	-
Income taxes paid	(69,728)	(78,762)	(284,452)
Net cash flows used in operating activities	(79,336,354)	(107,336,938)	(13,610,593)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in:			
Amounts owed by related parties	(10,213,022)	(25,721,430)	(5,071,017)
Other noncurrent assets	(2,461,186)	1,670,698	(430,417)
Advances to an associate	-	-	(5,000,000)
Deposits for future stock subscriptions (Note 8)	-	(15,715,348)	(6,000,000)
Net cash received on step acquisition to subsidiary (Note 7)	-	41,884	-
Acquisition of property and equipment (Notes 9 and 18)	(6,745,427)	(4,342,929)	(1,669,766)
Investments in associates (Note 7)	-	-	(26,000,000)
Net cash flows used in investing activities	(19,419,635)	(44,067,125)	(44,171,200)
<b>CASH FLOWS FROM A FINANCING ACTIVITIES</b>			
Increase in amounts owed to related parties	56,764,634	152,257,153	55,697,233
Proceeds from loan availment	40,500,000	-	-
Net cash flows from financing activities	97,264,634	152,257,153	55,697,233
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,491,355)	853,090	(2,084,560)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	(385)	-	-
<b>CASH AT BEGINNING OF YEAR</b>	2,958,892	2,105,802	4,190,362
<b>CASH AT END OF YEAR</b>	₱1,467,152	₱2,958,892	₱2,105,802

See accompanying Notes to Consolidated Financial Statements.



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.  
AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

Information Capital Technology Ventures, Inc. (the Company) was a wholly-owned subsidiary of Amalgated Investment Bancorporation (AIB), a full-fledged and duly licensed investment house when it was originally incorporated on June 5, 1996 in the Philippines as MF Shroder & Co., Inc., initially to engage in the purchase and sale of securities. In 2000, AIB expanded the services of the Company by establishing an information technology (IT-enabled) facility geared towards servicing the private equity needs of Small and Medium Enterprises (SME) by matching them on-line with direct equity investors.

In January 2002, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the articles of incorporation which provides for the change in name, from MF Shroder & Co. to Cashrounds, Inc., and the change in the primary purpose. The Company's primary purpose was changed to engage in the business of securities brokerage relating to the sale, transfer or exchange of every description of share of stock and bonds, be it publicly listed or privately held, and to execute such transactions with the use of information technology.

On July 23, 2003, 8,000,000 common shares of the Company were approved to be listed in the Philippine Stock Exchange (PSE) with an issue/share price of ₱1.00 per share.

On March 22, 2005, a Memorandum of Agreement (MOA) was executed by AIB and Gamboa Holdings, Inc. (GHI), whereby AIB agreed to sell and GHI agreed to purchase 18,171,286 or two-thirds (2/3) of the shares of stock of the Company at an aggregate purchase price of ₱74,395,000.

The sale of the Company's shares to GHI was made on June 3, 2005 and August 20, 2005, which resulted in GHI owning 66.67% of the Company.

Through the efforts of IMX Broadband Inc. (IBI), a Certificate of Registration as a value added service provider and voice over internet protocol (VOIP) provider was issued on March 10, 2006 by the National Telecommunications Commission (NTC) to the Company. The registration allowed the Company to operate and maintain VOIP services in all cities and municipalities nationwide.

The Board of Directors (BOD) and the Company's stockholders approved the change in name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. on May 12, 2006 and June 2, 2006, respectively. SEC approved the said change in name in September 19, 2006.

In July 2008, the SEC approved the amendment of the articles of incorporation which provides for the change in the primary purpose from a securities broker to a technology, media and telecommunications (TMT) company. This will enable the Company to start operations relating to various TMT services. These include telecommunications value added service (VAS) through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; as well as activities directly or indirectly connected to these. With the amendment in the articles of incorporation, among the programs that management plans to undertake are providing telecommunications VAS through iDEN, CDMA, GSM and broadband networks worldwide; and, entering the software



development services industry by expanding the markets being served by proprietary enterprise solutions it has developed and will develop for inter-network deployment nationwide and worldwide. The Company plans to develop and market worldwide mobile data applications that will run on different platforms. It also plans to develop and market digital media content.

On December 10, 2008, the PSE approved the application of the Company to list additional 1,289,278,350 common shares to cover the share-for-share swap transactions with stockholders of Next Mobile, Inc. (NMI), namely, Top Mega Enterprise, Limited (Top Mega), GHI, Emerald Investments, Inc. (EII), Joycelink Holdings Limited (Joycelink) and Food Camp Industries and Marketing, Inc. (Food Camp), collectively referred to as the NMI shareholders, at a swap price of ₱1.00 per share (see Note 8).

The PSE issued a Notice of Approval of the Company's application for transfer from SME Board to Second Board on June 11, 2009.

On March 12, 2010, the BOD approved a plan to transfer the Company from the Second Board to the First Board of the PSE as well as the listing of additional shares from a BOD-approved increase in authorized capital stock.

On August 3, 2010, the SEC approved the Amendment of the Seventh Article of the Articles of Incorporation of the Company removing the pre-emptive rights of shareholders with respect to subscriptions to any class of shares of stock of the Company.

The PSE issued a Notice of Approval of the Company's application for transfer from SME Board to Second Board on June 11, 2009.

On February 20, 2009, the PSE issued a circular informing the investing public of the Group's listing of additional 1,289,278,350 shares effective February 24, 2009.

On March 12, 2010, the BOD approved a plan to transfer the Company from the Second Board to the First Board of the PSE as well as the listing of additional shares from a BOD-approved increase in authorized capital stock.

On August 3, 2010, the SEC approved the Amendment of the Seventh Article of the Articles of Incorporation of the Company removing the pre-emptive rights of shareholders with respect to subscriptions to any class of shares of stock of the Company.

On September 1, 2010, the Company entered into an agreement with Softrigger Interactive, Inc. (Softrigger) and its stockholder whereby the Company shall subscribe to new shares of stock of Softrigger totaling 34,134 shares which will be equivalent to 50% equity interest in Softrigger, post investment (see Note 8).

Softrigger is a leading independent IT solutions and services provider with certified competencies in architecture and planning technology consulting, and enterprise project management. It is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services.

On October 1, 2010, the Company entered into an agreement with Holy Cow Animation, Inc. (Holy Cow) and its stockholders whereby the Company shall subscribe to new shares of stock of Holy Cow totaling 53,937 shares which will be equivalent to 50% equity interest in Holy Cow, post investment (see Note 8).



Holy Cow is engaged in the business of providing computerized animation services for film and/or television, including conceptualization, production and execution of shows, programs and advertising campaigns using animation.

On December 20, 2010, the Company entered into an agreement with Softweb Consulting, Inc. (Softweb) and its stockholders whereby the Company shall purchase/subscribe to shares of stock of Softweb totaling 5,050 shares which will be equivalent to 50% equity interest in Softweb, post investment (see Note 8).

Softweb Consulting, Inc. is engaged in the business of IT consulting services and reseller of software and hardware and other related products.

On December 21, 2010, the Company has entered into a subscription agreement with Thumbmob Philippines, Inc. (Thumbmob) to subscribe to new shares of stock of Thumbmob totaling 145,834 shares which will be equivalent to 50% equity interest in Thumbmob, post investment (see Note 8).

Thumbmob is engaged in developing, publishing and distributing games and applications for social networking and mobile environments.

On March 8, 2011, the Company filed with PSE its application for transfer from the Second Board to the First Board of the PSE.

The amendment of the Company's Secondary Purposes to include the following was approved by the BOD on December 16, 2010 and ratified by the stockholders of the Company during the June 2, 2011 Annual Stockholders' Meeting:

The amendment of the Company's Secondary Purposes to include the following was ratified by the stockholders of the Company during the June 2, 2011 Annual Stockholders' Meeting.

- a) To provide professional services and manpower in the field of telecommunications, media and information technology.
- b) To buy, sell, lease, assemble, import, export, process and deal in any and all classes of materials, merchandise, supplies and commodities of every kind and nature;
- c) To act as commission agent, manufacturer's representative, or principal for the purchase, sale distribution, manufacture, assembly, import or export of any and all classes of materials, merchandise, supplies and commodities of every kind and nature; and
- d) To engage in and carry on the business of general and retail merchants, traders, factors, agents, manufacturers, processors, dealing in or with any and all classes of materials, merchandise, supplies and commodities of every kind and nature.

On March 17, 2011 the Company's BOD confirmed/ratified the establishment of the Company's wholly-owned subsidiary named J-Span IT Services, Inc. (JSIT) in Tokyo, Japan. The BOD likewise approved the establishment in the Philippines of a wholly-owned subsidiary to be named I-Resource Consulting International, Inc. (I-Resource).

On May 25, 2011, the SEC approved the incorporation of I-Resource as a wholly owned subsidiary of the Company. The primary purpose of I-Resource is to provide consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.





On June 10, 2011, the SEC approved the incorporation of Porteon SEA, Inc., a wholly-owned subsidiary of the Company with the primary purpose of engaging in the business of manufacturing, marketing and selling of vehicles of all types, including but not limited to electric vehicles.

The amendment of the Secondary Purposes was approved by the SEC on August 25, 2011. On September 02, 2011, the Company entered into a Memorandum of Understanding with Huawei International Pte., Ltd., Huawei Technologies Phils., Inc. and NMI. The parties desire to explore the possibility of entering into a business relationship which will allow each party to provide its respective contribution in order to attain the common purpose of implementing NMI's nationwide build-up plans. The milestone agreement is expected to enhance the information capabilities of the Company and NMI in partnership with the world's largest information technology company Huawei.

On December 9, 2011, the Company executed a Memorandum of Agreement with the Filipino American Chamber of Commerce of Orange County, a non-profit organization in the State of California, for the use of a digital media portal through the Company's latest technology platform NowPlanet.TV.

The Company has finished the development of its first telematics product the iScan. Telematics is a system that involves the integration of telecommunications and informatics, with products and services that will provide mobile services using Blackberry and Nokia phones. The Company is now planning how to launch these mobile application products and services. For the planned commercial launch of some of the products/services, the Company started to establish its operations and back-end processes through service outsourcing during the second half of 2010. The services of management, sales, technical and administrative personnel are also being sourced from Knowledge Professionals Service Cooperative (KPSC). The Company is currently putting up its team in preparation for its business process outsourcing 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, 2012, 2011 and 2010, the Company has 71, 66 and 64 shareholders, respectively.

In 2012, the Company changed its principal place of business from 2<sup>nd</sup> Floor, Sterling Centre Building, Dela Rosa corner Esteban and Ormaza Streets, Legaspi Village, Makati City to Unit 5-I, 5<sup>th</sup> Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

During the March 12, 2013 Regular BOD Meeting, the BOD delegated to the Chairman and President the authority to approve the issuance of the consolidated financial statements of the



Company and its Subsidiaries (collectively referred to as the Group) as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012.

The consolidated financial statements of the Group as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were authorized for issue by the Chairman and President on April 26, 2013.

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2. **Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures**

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine peso, which is the Group's functional and presentation currency. All amounts are rounded off to the nearest peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS which were adopted as of January 1, 2012:

*PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*

PFRS 7 amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*

PAS 12 amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Group's financial position or performance.

New Accounting Standards, Philippine Interpretations and Amendments to Existing Standards

Effective Subsequent to December 31, 2012

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations from IFRIC to have significant impact on its



financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

*PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

PFRS 7 amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on January 1, 2013 or otherwise stated. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

*PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27, *Consolidated and Separate Financial Statements*. The Group will assess the impact of the standard on the Group's financial statements.

*PFRS 11, Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of PFRS 11 will have no impact on the Group's financial statements.

*PFRS 12, Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also



required. The adoption of PFRS 12 will affect disclosures only and will have no impact on the Group's financial statements.

*PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

*PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*

PAS 1 amendments change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI. The amendments affect presentation only and will have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

*PAS 19, Employee Benefits (Revised)*

PAS 19 amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. The revision will have no impact in the Group's financial statements.

*PAS 27, Separate Financial Statements (as revised in 2011)*

PAS 27 revision is a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The Group will assess the impact of the revision on the Group's financial statements.

*PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)*

PAS 28 revision is a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 will not have an impact on the Group's financial statements.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*  
Philippine Interpretation IFRIC 20 applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial



recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

This interpretation becomes effective for annual periods beginning on or after January 1, 2013. The Group expects that this interpretation will not have any impact on its financial position or performance.

*Effective in 2014*

*PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

PAS 32 amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and will have no impact on the Group’s financial position or performance.

*Effective in 2015*

*PFRS 9, Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 and therefore the consolidated financial statements as at and for the year ended December 31, 2012 do not reflect the impact of the said standard. The Group, at present, decided not to early adopt the amendments to PFRS 9 in its 2013 financial reporting.

The Group’s AFS financial assets may be affected by the adoption of this standard in 2015.



*Effective Date Deferred*

*Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

*Annual Improvements to PFRS (2009-2011 cycle)*

*PFRS 1, First-time Adoption of PFRS - Borrowing Costs*

PFRS 1 amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

*PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

PAS 1 amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments are effective for annual periods beginning on or after January 1, 2013 and are to be applied retrospectively. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

*PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*

PAS 16 amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The amendment will not have any significant impact on the Group's financial position or performance.



*PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

PAS 32 amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The Group expects that this amendment will not have any impact on its financial position or performance.

*PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

PAS 34 amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. The amendment will have no impact on the Group's financial position or performance.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Group as follows:

	Nature of Business	Percentage of Ownership		
		2012	2011	2010
JSIT <sup>1</sup>	Service	100%	100%	—
Porteon SEA, Inc. (Porteon)*	Manufacturing	100%	100%	—
I-Resource <sup>1</sup>	Service	100%	100%	—
I-Professional*	Service	100%	—	—
Softrigger	Service	67%	67%	—

<sup>1</sup> JSIT, Porteon and I-Resource were incorporated in 2011.

\* Not yet started commercial operations in 2012.

Except for JSIT, which was incorporated in Japan, all the subsidiaries were incorporated in the Philippines.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received



- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive statement income to profit or loss or retained earnings, as appropriate.

#### Transactions with Non-controlling Interest

Non-controlling interest represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately, from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity holders transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

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### 3. Summary of Significant Accounting Policies

#### Business Combination and Goodwill

The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire pertaining to instruments that represent present ownership interest and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

If the combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset of liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.







Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Impairment of Goodwill*

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than carrying amount, an impairment loss is recognized.

#### Financial Instruments

Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets under PAS 39, are classified as either financial assets at FVPL, loans and receivables, held to maturity (HTM) investments or AFS investments. The Group's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2012 and 2011, the Group has no outstanding financial assets at FVPL and HTM investments.

Under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2012 and 2011, the Group has no outstanding financial liabilities at FVPL.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL. This accounting policy relates to "Cash", "Trade and other receivables", and "Amounts owed by related parties" accounts in the consolidated balance sheet.



Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included under "Interest income" account in the statement of income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on *Impairment of Financial Assets*). Loans and receivables are classified as current assets when it is expected to be realized within 12 months from the balance sheet date or within the normal operating cycle, whichever is longer.

#### *AFS investments*

AFS investments are those investments which are designated as such or do not qualify to be classified as designated as FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported as a separate account (net of tax where applicable) in the equity section of the consolidated balance sheet.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the statement of income. Dividends earned on holding AFS investments are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses in the consolidated statement of income.

When the fair value of the AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.



This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Amounts owed to related parties", and other obligations that meet the above definition (other than liabilities covered by accounting standards, such as income tax payable). Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the balance sheet date or the Group has an unconditional right to defer settlement for at least 12 months from balance sheet date.

#### Impairment of Financial Assets

##### *Financial Assets Carried at Amortized Cost*

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

##### *Assets Carried at Cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

##### *AFS Investments*

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated



statement of income - is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increased in their fair value after impairment are recognized directly in other comprehensive income.

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in equity is recognized in the consolidated statement of income.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Derivative Financial Instruments

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair



value is negative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contracts that significantly modifies the cash flows that would otherwise be required. As of December 31, 2012 and 2011, the Group has no bifurcated embedded derivatives.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

#### Investment in an Associate

An associate is an entity over which the Group is able to exert significant influence but which is neither a subsidiary nor a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in an associate. Goodwill is the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets of the investee at the date of acquisition.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the equity in net earnings (losses) of associate in the consolidated statement of income. Items that have been directly recognized in the associate's equity are recognized in equity of the Group. Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables and advances, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset acquired from the transaction with the associate.



### Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of such property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Transportation equipment	5
Office equipment	2
Furniture and fixtures	2

Leasehold improvements are amortized over their useful lives of 5 years or the term of the lease, whichever is shorter.

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are maintained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, the cost, related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is credited to or charged against current operations.

### Computer Software

Computer software is initially recognized at cost. Following initial recognition, the computer software is carried at cost, less accumulated amortization and any accumulated impairment in value.

The computer software is amortized on a straight-line basis over its estimated useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software is available for use. The amortization period and the amortization method for the computer software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Computer software is included under "Other noncurrent assets" account in the consolidated balance sheet.



#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its property and equipment and other nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired nonfinancial asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

#### Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

#### Borrowing Costs

Borrowing costs are recognized in the consolidated statement of income as incurred, except to the extent that they are capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalized until the assets are ready for their intended use or sale.





### Income Taxes

#### *Current Income Tax*

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

#### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO, can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### Capital Stock

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of share over the par value are credited to share premium.

Where the Group purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in the equity section in the consolidated balance sheet.

### Foreign Currency Translations

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statements of income.



Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of JSIT, a subsidiary, is Japanese Yen (JPY). As at the balance sheet date, the assets and liabilities of this entity is translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling the balance sheet date and statement of income is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation is taken directly to other comprehensive income. On disposal of subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized

#### *Service revenue*

Service revenue is recognized when the performance of contractually agreed tasks have been substantially rendered.

#### *Marketing, management and consultancy fees*

Fees are recognized when the related services have been rendered.

#### *Interest*

Interest income is recognized as interest accrues using the effective interest rate method.

#### Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and involves an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### *Operating lease commitments - Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income in accordance with the terms of the lease agreements.



*Finance lease commitments - Group as a lessee*

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the services offered. In 2010, the Group started to operate its IT resource services segment. Prior to 2010, the Group operates mainly in one reportable business segment. The Group is in the business of security brokerage in the Philippines. However, in December 2008, it has amended its primary business purpose from a security broker to a technology, media and telecommunications company (see Note 1). The Group's identified operating segments are consistent with the segments reported in the BOD, which is the Group's Chief Operating Decision Maker. Financial information on the operating segments are presented in Note 19.

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#### 4. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.



### Judgements

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Determining functional currency*

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine Peso except for JSIT, a subsidiary, whose functional currency is the Japanese Yen. The Philippine Peso is the currency of the primary economic environment in which the companies in the Group operates and it is the currency that mainly influences the sale of and services and the costs of providing the services.

#### *Operating lease commitment - Company as lessee*

The Group has entered into a commercial property lease on its office. The Group has determined that it does not retain all the significant risks and rewards of ownership of the properties which are leased under operating lease arrangements.

#### *Finance lease commitments - Company as lessee*

The Group has entered into leases of transportation equipment. The Group has determined that these leases are finance leases since the significant risks and rewards of ownership related to these assets are transferred to the Group from the date of the lease agreement.

#### *Acquisition accounting*

The Group accounts for acquired business using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible and property, and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property and equipment have to be determined.

The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition (see Note 7).

#### *Assessing impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the generating cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

### Estimates

#### *Estimating allowance for impairment losses of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.



Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as on historical loss experience. Allowance for impairment loss is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of action. As of December 31, 2012 and 2011, allowance for impairment on receivable amounted to ₱1,759,302 and ₱664,603, respectively. Trade and other receivable net of allowance amounted to ₱33,444,719 and ₱22,183,668 as at December 31, 2012 and 2011, respectively (see Note 5).

*Estimating useful lives of property and equipment*

The Group estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of the office equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

As of December 31, 2012 and 2011, the carrying amounts of property and equipment amounted to ₱16,552,657 and ₱16,528,292, respectively (see Note 9).

*Estimating impairment of unquoted AFS investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or
- other valuation models.

Investments in unquoted AFS investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The cash flows are derived from the projection for the next 10 years as well as the terminal value at the end of 10 years. The recoverable amount is most sensitive to changes in the discount rate and growth rates used in the discounted cash flows.

No impairment loss was recognized on the AFS investments. The carrying amount of AFS investments amounted to ₱1,289,278,350 as of December 31, 2012 and 2011 (see Note 8).

*Estimating realizability of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

No deferred income tax asset was recognized on deductible temporary difference amounting to ₱260,493,006 and ₱132,381,473 as of December 31, 2012 and 2011, respectively, since management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilized (see Note 15).



*Impairment of nonfinancial assets*

Internal and external sources of information are reviewed at each reporting date to identify indications that the Group's assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets or the strategy for the overall business; and
- significant negative industry or economic trends.

As of December 31, 2012 and 2011, the carrying values of nonfinancial assets comprised of property and equipment, other current assets, investments and other noncurrent assets amounted to ₱1,341,065,923 and ₱1,348,090,501, respectively (see Notes 6, 7, 8 and 9).

*Estimating fair value of financial instruments*

PFRS requires that certain financial assets and liabilities (including derivative instruments) be carried at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates), the timing and amount of changes in fair value would differ using a different valuation methodology. Any change in the fair values of financial assets and liabilities affects the consolidated the statements of comprehensive income and changes in equity. The fair values of financial assets and liabilities are set out in Note 17 to the consolidated financial statements.

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5. Trade and Other Receivables

	2012	2011
Trade receivables		
Third parties	₱14,187,826	₱15,457,752
Related parties (Note 11)	12,234,536	614,000
Advances to officers and employees	6,413,888	4,743,519
Others (Note 8 and 11)	2,367,771	2,033,000
	<u>35,204,021</u>	<u>22,848,271</u>
Less allowance for impairment losses	1,759,302	664,603
	<u>₱33,444,719</u>	<u>₱22,183,668</u>

Other receivables pertain to loan receivable which earns 1% interest per month.



Movement in allowance for impairment losses are as follows:

	2012	2011
Balance as at January 1	P664,603	P-
Provision for the year	1,094,699	664,603
Balance as at December 31	P1,759,302	P664,603

#### 6. Other Current Assets

	2012	2011
Prepayments	P2,381,261	P5,852,049
Input value added tax (VAT)	1,996,067	1,223,308
Creditable withholding tax	1,271,465	765,339
Others	100,689	404,641
	P5,749,482	P8,245,337

#### 7. Business Combination

On June 17, 2011, the Company exercised its right to convert its P3,400,000 loan into common shares of Softrigger at the equivalent par value, thus, increasing its proportionate share from 50% to 67%. As a result, Softrigger became a subsidiary of the Company.

Softrigger is a leading independent IT solutions and services provider with certified competencies in architecture and planning technology consulting, and enterprise project management. It is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services. It is the official web vendor of Microsoft Philippines and the web developer of PH Government Portal.

In 2011, the provisional fair values of the identifiable net liabilities of Softrigger as at the date of acquisition follow:

	Fair value recognized on acquisition
<b>Assets:</b>	
Cash	P41,884
Trade and other receivables	6,582,251
Other current assets	715,588
Property and equipment	2,183,910
	9,523,633
<b>Liabilities:</b>	
Trade and other payables	3,915,031
Other current liabilities	8,087,022
	12,002,053
<b>Total identifiable net liabilities at fair value</b>	<b>(P2,478,420)</b>

(Forward)



	Fair value recognized on acquisition
Consideration transferred	₱3,400,000
Non-controlling interest measured at fair value	(817,879)
Fair value of previously-held interest	(1,239,210)
	1,342,911
Less total identifiable net liabilities at fair value	(2,478,420)
<b>Goodwill arising from acquisition</b>	<b>₱3,821,331</b>

Provisional goodwill is recorded under "Other noncurrent assets" account in the 2011 consolidated balance sheet.

Remeasurement of previously-held interest as at the date of acquisition follows:

Fair value of previously-held interest	(₱1,239,210)
Less carrying value of the previously-held interest	10,506,473
<b>Loss on the remeasurement of previously-held interest</b>	<b>₱11,745,683</b>

Non-controlling interest as of acquisition date amounted to ₱817,879. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

From the date of acquisition, the additional interest in Softrigger has resulted to additional net loss of ₱8,744,047 to the Group's results of operations. This newly-qualified subsidiary has likewise contributed ₱3,009,699 in revenue to the Group.

In 2012, the purchase price allocation in the step-up acquisition of Softrigger was finalized. No changes were made on the evaluation of the assets and liabilities done in 2011. However, goodwill from the business combination was fully impaired in 2012.

## 8. Investments and Advances

### *Investments*

As mentioned in Note 1, the Group entered into subscription agreements with Softrigger and Softweb on September 1, 2010 and December 20, 2010, respectively. The related investments in Softrigger and Softweb, amounting to ₱20,000,000 and ₱6,000,000, respectively, represent 50% interest in these investee companies.

Softweb, on the other hand, specializes in Lotus consulting and training services as well as comprehensive Domino working solutions. As an IBM partner, Softweb offers the full range of IBM services and licensed products integrated in its own list of business solutions, software development and training.

On June 17, 2011, the Company acquired 34,000 shares of Softrigger for a 67% equity interest through the conversion into equity of Softrigger's unpaid loans to the Company. Accordingly, Softrigger became a subsidiary as of this date (see Note 7).





As of December 31, 2012 and 2011, the components of the carrying amounts of investments accounted for under the equity method are as follows:

	2012	2011
Acquisition cost:		
Balances at beginning of year	₱6,000,000	₱26,000,000
Step-acquisition to subsidiary (Note 7)	-	(20,000,000)
Balances at end of year	6,000,000	6,000,000
Equity in net losses of associates:		
Balances at beginning of year	(2,923,275)	(4,528,387)
Share in net losses of associates	(3,076,725)	(7,888,415)
Step-acquisition to subsidiary (Note 7)	-	9,493,527
Balances at end of year	(6,000,000)	(2,923,275)
Investments in associates at equity	-	3,076,725
Advances to an associate	5,000,000	5,000,000
	<b>₱5,000,000</b>	<b>₱8,076,725</b>

Advances to an associate pertain to deposits for future stock subscriptions in Softweb pending the increase in authorized capital stock.

Pertinent financial information for these investees as of December 31, 2012 and 2011 follow:

	2012	2011
Softweb:		
Total assets	₱9,335,845	₱13,105,790
Total liabilities	32,093,994	26,436,273
Total equity	(22,758,149)	(13,330,483)
Net loss	9,427,666	5,846,550

#### *AFS Investment*

The Company has an investment in NMI classified as AFS investment.

On April 28, 2006, the Company entered into a MOA with NMI and five controlling stockholders of NMI namely, Top Mega, Joycelink, GHI, EII, Food Camp (the five companies collectively known as NMI stockholders) to swap or exchange shares of stock.

Under the MOA, there shall be a new issuance of shares of stock by the Company in exchange solely for NMI shares owned and controlled by the NMI stockholders. The agreed upon swap of shares was subject to certain conditions, including necessary corporate and regulatory approvals. The MOA was approved by the Company's stockholders during the June 2, 2006 Annual Stockholders' Meeting.

However, certain amendments were subsequently made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the Company could not revise its primary purpose at that time. Hence, the stockholders approved the amendment in the MOA that there will be no change in the primary purpose of the Company. In addition, the stockholders also approved the proposal that the Company shall acquire only nineteen percent (19%) equity interest in NMI and not 97%, as originally intended. As a result, the NMI stockholders will transfer to the Company 2,656,580 NMI shares in exchange for new shares of the Company with an aggregate value of ₱1,289,278,350, or effectively at a price of ₱485.315085 per NMI share.



To comply with the provisions of the amended MOA, the Company increased its authorized capital stock to accommodate the foregoing transaction (see Note 14).

In September 2006, the SEC issued Certificate of Approval of Valuation of shares of stock of NMI and Certificate of Increase in capital stock of the Group.

As mentioned in Note 1, in 2008, the PSE approved the application for the listing of the additional ₱1,289,278,350 common shares to cover the share-for-share swap transactions with NMI shareholders.

As of December 31, 2012 and 2011, the Group's investment in NMI amounted to ₱1,289,278,350.

*Deposits for Future Stock Subscriptions*

As mentioned in Note 1, the Company entered into agreements with Thumbmob and Holy Cow for the subscription Thumbmob and Holy Cow shares. Deposits for future stock subscriptions in Thumbmob and Holy Cow amounted to ₱14,344,868 and ₱9,004,163 as of December 31, 2012, respectively and ₱14,344,868 and ₱7,370,480 as of December 31, 2011, respectively. These are currently recorded under "noncurrent assets" in the consolidated balance sheets pending the increase in the authorized capital stock of the investee companies.

In addition, the Company has outstanding loan and interest receivable from Holy Cow amounting to ₱2,367,771 and ₱2,033,000 as of December 31, 2012 and 2011, respectively (see Note 5).

**9. Property and Equipment**

**As of December 31, 2012**

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
<b>Cost:</b>					
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
<b>Accumulated depreciation and amortization:</b>					
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
<b>Net book value</b>	<b>₱3,353,637</b>	<b>₱9,264,370</b>	<b>₱3,481,816</b>	<b>₱452,834</b>	<b>₱16,552,657</b>



As of December 31, 2011

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱-	₱7,486,221	₱925,726	₱-	₱8,411,947
Additions	664,084	7,683,698	2,386,004	296,143	11,029,929
Step acquisition to a subsidiary	1,530,859	-	4,539,478	663,691	6,734,028
Disposals	-	-	(108,184)	-	(108,184)
Ending balances	2,194,943	15,169,919	7,743,024	959,834	26,067,720
Accumulated depreciation and amortization:					
Beginning balances	-	301,386	183,855	-	485,241
Depreciation and amortization for the year	486,675	2,446,798	1,559,792	30,758	4,524,023
Step acquisition to a subsidiary	1,105,526	-	2,789,129	655,463	4,550,118
Disposals	-	-	(19,954)	-	(19,954)
Ending balances	1,592,201	2,748,184	4,512,822	686,221	9,539,428
Net book value	₱602,742	₱12,421,735	₱3,230,202	₱273,613	₱16,528,292

Transportation equipment are amounts where the Group is a lessee under a finance lease (see Note 12).

Cost of fully depreciated assets still in use amounted to ₱4,287,206 and ₱3,432,461, in 2012 and 2011, respectively.

#### 10. Accounts Payable and Accrued Expenses

	2012	2011
Trade and other payables (see Note 11)		
Third parties	₱18,521,201	₱8,634,116
Related parties	8,524,728	5,472,788
Withholding tax payable	4,466,168	5,454,870
Output VAT payable	1,846,658	514,807
Accrued interest (see Note 11)	59,903,586	21,376,850
Accrued expenses	9,074,591	8,502,866
	<b>₱102,336,932</b>	<b>₱49,956,297</b>



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## 11. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

In the normal course of business, the Group entered into transactions with related parties, principally consisting of the following:

- a. In 2005, the Company entered into an agreement to promote and market the telecommunication services of NMI to the Company's clients for a period of three years until May 2008. In consideration thereof, the Company billed NMI the amount of ₱5,000,000 in 2006.

Also, the Company entered into a financial advisory and arrangement agreement in relation to NMI's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement is effective until October 2006. A success fee of ₱850,000 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained would be paid by NMI. In 2006, the Company billed NMI the amount of ₱3,100,000 for its services.

On January 30, 2008, the Company sent a demand letter to NMI regarding the collectability of the amount due. In the reply dated February 15, 2008, NMI acknowledged the debt and manifested its intent to pay within 2008. Receivable from NMI amounting to ₱7,192,800 was subsequently collected in 2008.

Amounts owed by NMI as of December 31, 2012 and 2011 amounted to ₱18,017,022 and ₱13,265,403 respectively. From the foregoing events, these advances are due and demandable.

- b. On August 30, 2005, the Company entered into a Loan Agreement with IMX Broadband Inc. (IBI) for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% interest per annum and is payable no later than August 30, 2010. Partial pre-payments on the principal may be made prior to this date. The interest is due and demandable only on maturity date.

On April 25, 2007, the Company and IBI agreed to reduce the interest to 5.5% per annum effective for 2007. Subsequent to 2007, the interest shall be subject to annual repricing. The prevailing market interest rate agreed by both parties in 2009 and 2008 is 9.0%.

On June 25, 2010, both parties agreed to extend the maturity of the loan from August 30, 2010 to August 30, 2012. Furthermore, interest rate was reduced to 6.0% per annum starting in 2010. Interest income amounted to ₱934,065 in 2012, 2011 and 2010. As of December 31, 2012 and 2011, amounts owed by IBI amounted to ₱25,162,581 and ₱24,228,516, respectively.

IBI is under common ownership with the Group.



- c. On October 12, 2009, Velarde, Inc. appointed the Company as Financial Advisor and Arranger in relation to Velarde, Inc.'s objective of acquiring equity interests in companies in the telecoms, media, and information technology (TMT) space (the "Project"). The Project includes but not limited to targeting potential investments in software development, digital content, and BPO/KPO/LPO companies. The engagement shall be for a limited period of nine (9) months only. Revenue earned from this engagement amounted to ₱3,000,000.

Velarde, Inc. is a stockholder of the Group.

- d. In 2008, the Company entered into a Sub-Lease Agreement (Agreement) with Eemerald Investments, Inc.(EII) for the lease of a 270 square meter condominium unit in Makati. The lease shall be for four (4) years, commencing on January 1, 2008 until December 31, 2011. Rental expense charged to operations amounted to ₱2,482,061 in 2011 and ₱2,874,203 in 2010 and 2009.

On January 28, 2009, the Company and EII amended the Agreement to the effect that the monthly rental from January 1 to December 31, 2008 be reduced from ₱400 to ₱100 per square meter, for a total monthly rental of ₱27,000. The rental shall be increased annually at the rate of 10% per annum. The parties shall annually review the monthly rental as prevailing circumstances may necessitate. In 2009, the 10% annual increase in rental was suspended until otherwise agreed upon in writing by the parties.

On December 17, 2009, the Company and EII agreed that the Company shall lease the whole floor of the condominium, consisting a total area of 546 square meters. The monthly rental from January 1 to October 31, 2010 will increase from ₱100 to ₱431 per square meter, for a total monthly rental of ₱235,590. For the period November 1, 2010 to October 31, 2011, the sub-lessee shall pay monthly rental at the rate of ₱474 per square meter, for a total monthly rental of ₱258,804.

Amounts owed to EII amounted to ₱2,902,918 as of December 31, 2012 and 2011. Outstanding liability to EII are due and demandable.

EII is a stockholder of the Group.

- e. On July 16, 2010, the Company entered into a service agreement with KPSC for a period of one year, beginning July 16, 2010 to July 15, 2011. KPSC provides consultancy and manpower services depending on the services specifically required by the Group.

As of December 31, 2012 and 2011, the Company has no outstanding payable to KPSC. KPSC has cooperators who are also stockholders of the Group.

- f. Amounts owed to related parties include interest bearing advances from Velarde, Inc. for working capital and investment requirements. Interest rate for these loans is at 18.0% per annum or 1.5% per month.

In 2012, the Company also incurred additional liability from Velarde, Inc. as further discussed in Note 11.



On November 08, 2012, the BOD of Velarde, Inc. has agreed to enter into an agreement with the Company for the deferment of accrual of interest starting November 2012. Thus, no interest were accrued starting November 2012. Interest expense amounted to ₱37,584,021 and ₱20,388,835 in 2012 and 2011, respectively. Outstanding accrued interest amounted to ₱59,903,586 and ₱21,376,850 as of December 31, 2012 and 2011, respectively.

Net amounts owed to Velarde, Inc. amounted to ₱272,746,632 and ₱206,292,451 as of December 31, 2012 and 2011, respectively.



Related parties	Category	Amount	Amounts owed by related parties	Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions
<i>Shareholders</i>								
Velarde, Inc.	Advances 2012	P66,454,181	P-	P-	P272,746,632	P-	On demand	Unsecured
	2011	152,944,662	-	-	206,292,451	-	On demand	Unsecured
GHI	Advances 2012	2,035,055	-	-	-	2,035,055	On demand	Unsecured
	2011	-	-	-	-	-	On demand	Unsecured
EII	Advances 2012	40,848	40,848	-	2,902,918	-	On demand	Unsecured, no impairment
	2011	-	-	-	2,902,918	-	On demand	Unsecured
<i>Affiliates</i>								
NMI	Advances 2012	5,321,472	20,870,607	-	45,421	-	On demand	Unsecured, no impairment
	2011	9,582,138	15,503,714	-	-	-	On demand	Unsecured, no impairment
KPSC	Advances 2012	(105,000)	752,470	-	-	-	On demand	Unsecured, no impairment
	2011	857,470	857,470	-	-	-	On demand	Unsecured, no impairment
	Services 2012	75,160,352	-	-	-	6,489,673	On demand	Unsecured
	2011	72,838,476	-	-	-	5,472,788	On demand	Unsecured
ALIC	Advances 2012	511,858	542,358	-	-	-	On demand	Unsecured, no impairment
	2011	30,500	30,500	-	-	-	On demand	Unsecured, no impairment
IBI	Advances 2012	-	15,567,752	-	-	-	On demand	Unsecured, no impairment
	2011	-	15,567,752	-	-	-	On demand	Unsecured, no impairment

(Forward)



Related parties	Category	Amounts owed by related parties				Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions
		Amount	Amounts owed by related parties	Trade and other receivables	Trade and other payables					
IBI	Interest 2012	₱934,063	₱9,594,827	₱-	₱-	₱-	₱-	On demand	Unsecured, no impairment	
	2011	934,065	8,660,764	-	-	-	-	On demand	Unsecured, no impairment	
Holycow	Loans 2012	178,771	-	2,211,771	-	-	-	On demand	Unsecured, no impairment	
	2011	2,033,000	-	2,033,000	-	-	-	On demand	Unsecured, no impairment	
	Interest 2012	156,000	-	156,000	-	-	-	On demand	Unsecured, no impairment	
	2011	104,000	-	-	-	-	-	On demand	Unsecured, no impairment	
<i>Associate</i>										
Softweb	Advances 2012	7,269,542	4,054,360	-	-	-	-	On demand	Unsecured	
	2011	590,000	590,000	-	3,805,182	-	-	On demand	Unsecured	
	Loans 2012	-	500,000	-	-	-	-	On demand	Unsecured, no impairment	
	2011	500,000	500,000	-	-	-	-	On demand	Unsecured, no impairment	
	Interest 2012	-	214,000	-	-	-	-	On demand	Unsecured, no impairment	
	2011	214,000	214,000	-	-	-	-	On demand	Unsecured, no impairment	
	Services 2012	17,159,155	-	6,244,536	-	-	-	On demand	Unsecured, no impairment	
	2011	-	-	-	-	-	-	On demand	Unsecured, no impairment	

(Forward)





Related parties	Category	Amount	Amounts owed by related parties		Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions
			Amount	Amount					
	<b>Management fees</b>								
Softweb	2012	P4,800,000	P-	P5,990,000	P-	P-	P-	On demand	Unsecured, no impairment
	2011	1,200,000	-	614,000	-	-	-	On demand	Unsecured, no impairment
<b>Total</b>	<b>2012</b>	<b>P52,137,222</b>	<b>P14,602,307</b>	<b>P275,694,971</b>	<b>P8,524,728</b>				
<b>Total</b>	<b>2011</b>	<b>P41,924,200</b>	<b>P2,647,000</b>	<b>P213,000,551</b>	<b>P5,472,788</b>				



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## 12. Lease Commitments

The Group purchased transportation equipment through four-year financing agreements which are payable on a monthly basis. The Group recognized the obligation and pays to Velarde, Inc. (see Note 11). The assets were capitalized since the lease term is for the major part of the economic life of the assets.

The future minimum lease payments of the Group for the obligations under finance lease as of December 31, 2012 and 2011 are as follows:

	2012	2011
Within one year	₱3,682,332	₱6,751,040
After one year but not more than five years	3,962,577	7,718,582
Total minimum lease obligations	7,644,909	14,469,622
Less interest portion	884,379	2,674,863
Present value of minimum lease obligations	6,760,530	11,794,759
Less current portion	3,076,625	3,437,591
Noncurrent portion	₱3,683,905	₱8,357,168

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## 13. Loans Payable

This account represents availments from credit lines extended by a local bank. The loans are collateralized by assignment of a savings account by a related party.

The loans are short-term, bear interest at a floating effective interest rates ranging from 2.79% to 3.80% in 2012. Interest is payable every 30 days.

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## 14. Capital Stock

On April 28, 2006, the BOD and stockholders approved the increase in the authorized capital stock from 40,000,000 shares to 1,320,000,000 shares at ₱1 par value per share. This was subsequently approved by the SEC on September 19, 2006.

On November 11, 2006, in accordance with the MOA, the Group issued the additional 1,289,278,350 shares at par value in exchange for the 2,656,580 shares of NMI (see Note 8).

On May 12, 2010, the BOD and stockholders approved the increase in the authorized capital stock from 1,320,000,000 shares to 5,320,000,000 shares at ₱1 par value per share. The proposed subscriber to the increase, Velarde, Inc. will subscribe to 1,000,000,000 shares at ₱1 per share, out of the 4,000,000,000 increase with ₱250,000,000 to be initially paid-up. As of December 31, 2012, the proposed increase in authorized capital stock is pending implementation and application with the SEC.



## 15. Income Taxes

The provision for income tax represents MCIT in 2012, 2011 and 2010.

The reconciliation of the Group's statutory income tax to provision for income tax follows:

	2012	2011	2010
Statutory income tax at 30%	(P41,371,961)	(P42,369,696)	(P11,074,235)
Tax effects of:			
Unrecognized deferred income tax assets on:			
NOLCO and MCIT	26,634,808	33,168,936	8,939,382
Allowance for impairment losses	328,409	199,381	-
Unrealized foreign exchange loss	54,017	-	-
Accrued interest expense	11,558,021	6,411,984	-
Impairment on goodwill	1,146,400	-	-
Equity in net losses of associates	923,018	2,366,525	1,358,516
Unallowable EAR	869,887	84,781	69,858
Final tax on interest income	937	1,730	4,428
Nondeductible interest expense	464	1,110	-
Nondeductible professional fees	-	-	196,744
Interest income subjected to final tax	(2,342)	(3,163)	(6,642)
Others	61,844	243,201	537,316
	<b>P203,502</b>	<b>P104,789</b>	<b>P25,367</b>

The Group has temporary differences for which no deferred income tax assets were recognized as it is probable that sufficient taxable income will not be available for those deferred income tax assets to be utilized. The temporary differences are as follows:

	2012	2011	2010
NOLCO	P198,327,067	P110,219,591	P29,728,142
Accrued interest expense	59,903,586	21,376,850	-
Allowance for probable losses on receivables	1,759,302	664,603	-
MCIT	326,563	123,998	20,939
Unrealized foreign exchange loss	180,058	-	-
	<b>P260,496,576</b>	<b>P132,385,042</b>	<b>P29,749,081</b>

## 16. Basic/Diluted EPS

The following table presents information necessary to compute the basic/dilutive EPS:

	2012	2011	2010
Net loss (a)	P138,110,040	P141,337,107	P36,939,482
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	1,317,278,350	1,317,278,350	1,317,278,350
Basic/dilutive loss per share (a/b)	<b>P0.1048</b>	<b>P0.1073</b>	<b>P0.0280</b>



For the years ended December 31, 2012, 2011 and 2010, there were no shares of stock that have a potentially dilutive effect on the basic EPS of the Group.

## 17. Financial Instruments

The Group's financial instruments are composed of cash, trade and other receivables, amounts owed by related parties, AFS investment, accounts payable and accrued expenses, amounts owed to related parties and obligations under finance lease.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group is not exposed to cash flow interest rate risk since a significant portion of the Group's due from affiliates and finance lease obligations has fixed interest rates. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

### *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect on the Group's credit standing.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2012 and 2011, based on contractual undiscounted cash flows. The tables also analyze the maturity profile of the Group's financial assets that can be used to finance maturing financial obligations. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

### December 31, 2012

	On demand	Within 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses*	₱96,024,106	₱-	₱-	₱96,024,106
Amounts owed to related parties	3,136,572	-	272,558,399	275,694,971
Loans payable	40,500,000	-	-	40,500,000
	<b>₱139,660,678</b>	<b>₱-</b>	<b>₱272,558,399</b>	<b>₱412,219,077</b>
<i>*except government payables</i>				
<b>Financial assets:</b>				
Cash	₱1,467,152	₱-	₱-	₱1,467,152
Trade and other receivables	33,444,719	-	-	33,444,719
Amounts owed by related parties	52,137,222	-	-	52,137,222
AFS investment	-	-	1,289,278,350	1,289,278,350
	<b>₱87,049,093</b>	<b>₱-</b>	<b>₱1,289,278,350</b>	<b>₱1,376,327,443</b>



December 31, 2011

	On demand	Within 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses*	₱40,570,931	₱-	₱-	₱40,570,931
Amounts owed to related parties	213,000,551	-	-	213,000,551
	<b>₱253,571,482</b>	<b>₱3,437,591</b>	<b>₱8,357,168</b>	<b>₱253,571,482</b>
<i>*except government payables</i>				
<b>Financial assets:</b>				
Cash	₱2,958,892	₱-	₱-	₱2,958,892
Trade and other receivables	7,343,518	14,840,150	-	22,183,668
Amounts owed by related parties	41,924,200	-	-	41,924,200
AFS investment	-	-	1,289,278,350	1,289,278,350
	<b>₱52,226,610</b>	<b>₱14,840,150</b>	<b>₱1,289,278,350</b>	<b>₱1,356,345,110</b>

The Group monitors its cash flow position through cash planning. The Group believes that cash advances by stockholders are sufficient to mitigate the effects of fluctuation in cash flow and to cover disbursements for the day-to-day operations of the Group.

All of the Group's financial liabilities are contractually due within one year except for obligations under finance lease.

*Credit Risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables and amounts owed by related parties.

The Company's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Company's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Company's exposure to impairment and account discrepancies is not significant. In addition, the Company manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

The Group's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Group's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Group's exposure to impairment and account discrepancies is not significant. In addition, the Group manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

As of December 31, 2012 and 2011, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets.

*Credit quality per class of financial asset*

The credit quality of financial assets is being managed by the Group using internal credit ratings. The Group considers its financial assets that are neither past due nor impaired amounting to ₱1,376,327,443 and ₱1,356,345,110 as of December 31, 2012 and 2011 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.



The Group has impaired receivables amounting to ₱1,759,302 and ₱664,603 as of December 31, 2012 and 2011, respectively.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk from its interest bearing due from affiliates, finance lease and loan payable. Dues from affiliates and finance lease obligations have fixed interest rates and interest rate range on loans payable are minimal since these are short term loans payable.

Fair Value and Categories of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash, trade and other receivables, amounts owed by related parties, accounts payable and accrued expenses, loans payable and amounts owed to related parties*

The carrying amounts of cash, accounts payable and accrued expenses, loans payable and amounts owed to related parties approximate their fair values due to the short-term maturity of these financial instruments.

*AFS investment*

Unquoted equity security is carried at cost or its available net book value since fair value of this AFS investment cannot be reliably determined as this is not listed in active market and have no available bid price.

The following table presents the carrying amounts and estimated fair values of the Group's financial instruments as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Loans and receivables:</i>				
Cash	₱1,467,152	₱1,467,152	₱2,958,892	₱2,958,892
Trade and other receivables	33,444,719	33,444,719	22,183,668	22,183,668
Amounts owed by related parties	52,137,222	52,137,222	41,924,200	41,924,200
	<b>₱87,049,093</b>	<b>₱87,049,093</b>	<b>₱67,066,760</b>	<b>₱67,066,760</b>
AFS investment	₱1,289,278,350	₱1,289,278,350	₱1,289,278,350	₱1,289,278,350



	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Other financial liabilities:</i>				
Accounts payable and accrued expenses	₱96,024,106	₱96,024,106	₱49,956,297	₱49,956,297
Amounts owed to related parties	275,694,971	275,694,971	213,000,551	213,000,551
Loans payable	40,500,000	40,500,000	-	-
	<b>₱412,219,077</b>	<b>₱412,219,077</b>	<b>₱262,956,848</b>	<b>₱262,956,848</b>

*Fair Value Hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) process in active markets for identical assets or liabilities
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of December 31, 2012 and 2011, the Group does not have any financial instruments to be presented under the fair value hierarchy required by PFRS 7.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains strong credit rating and stable capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

On October 28, 2010, PSE issued a memorandum regarding the rule for the minimum public ownership for all listed companies. Based on the memorandum, listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares or as such percentage that may be prescribed by the PSE. The Company has complied with the minimum public ownership.

No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.



The following table pertains to the account balance the Group considers as its core economic capital:

	2012	2011
Capital stock	₱1,317,278,350	₱1,317,278,350
Deficit	(309,971,214)	(173,287,152)
	<b>₱1,007,307,136</b>	<b>₱1,143,991,198</b>

#### 18. Supplementary Information to the Statements of Cash Flows

Acquisition of transportation equipment under finance lease agreement to Velarde, Inc. amounted to nil and ₱6,687,000 in 2012 and 2011, respectively (see Notes 9 and 11).

#### 19. Business Segment Information

The Group's operating segments are organized and managed separately according to the nature of the services offered as follows:

- IT resource management segment - provides deployment of IT professionals to clients.
- IT products and services – provides high value ICTV products and services to clients.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Financial information on the operations of the various business segments are summarized as follows:

	2012		Total
	IT Resource management	IT products and services	
Service, marketing, management and consultancy fees	₱19,034,850	₱29,854,933	₱48,889,783
Interest income	2,077	1,122,144	1,124,906
<b>Total revenue</b>	<b>₱19,036,927</b>	<b>₱30,977,762</b>	<b>₱50,014,689</b>





	2012		
	IT Resource management	IT products and services	Total
Equity in net losses of associates	₱-	₱3,076,725	₱3,076,725
Provision for income tax		(203,502)	(203,502)
Net loss	12,565,837	124,947,506	137,513,343
Other information:			
Investments and advances	-	1,294,278,350	1,294,278,350
Capital expenditures	5,460,109	11,092,548	16,552,657
Segment assets	(11,755,882)	1,416,358,634	1,404,602,752
Segment liabilities	38,780,748	386,511,685	425,292,433
Depreciation and amortization	2,044,851	4,908,034	6,952,885
	2011		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	₱21,386,746	₱3,889,372	₱25,276,118
Interest income	5,252	1,845,953	1,851,205
Scrap sales	4,700	-	4,700
Total revenue	₱21,396,698	₱5,735,325	₱27,132,023
Equity in net losses of associates	₱-	₱7,888,415	₱7,888,415
Provision for income tax	-	104,789	104,789
Net loss	52,317,653	89,019,454	141,337,107
Other information:			
Investments and advances	-	1,297,355,075	1,297,355,075
Capital expenditures	5,626,679	10,901,613	16,528,292
Segment assets	18,463,549	1,396,693,712	1,415,157,261
Segment liabilities	21,608,169	253,213,166	274,821,335
Depreciation and amortization	1,010,473	3,661,097	4,671,570
	2010		
	IT Resource management	IT products and services	Total
Service, marketing, management and consultancy fees	₱254,952	₱-	₱254,952
Interest income	-	992,629	992,629
Total revenue	₱254,952	₱992,629	₱1,247,581
Equity in net losses of associates	₱-	₱4,528,387	₱4,528,387
Provision for income tax	1,485	23,882	25,367
Net loss	1,594,585	35,344,897	36,939,482
Other information:			
Investments and advances	-	1,315,749,963	1,315,749,963
Capital expenditures	348,160	7,992,806	8,340,966
Segment assets	1,757,102	1,365,387,463	1,367,144,565
Segment liabilities	1,940,809	82,825,780	84,766,589
Depreciation and amortization	19,826	446,949	466,775





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BOA/PRC Reg. No. 0001,  
December 28, 2012, valid until December 31, 2015  
SEC Accreditation No. 0012-FR-3 (Group A),  
November 15, 2012, valid until November 16, 2015

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Information Capital Technology Ventures, Inc.  
Unit 5-I, 5<sup>th</sup> Floor, OPL Building  
100 C. Palanca St., Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Information Capital Technology Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 26, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 (Amended 2011) and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Leovina Mae V. Chu*

Leovina Mae V. Chu  
Partner  
CPA Certificate No. 99910  
SEC Accreditation No. 1199-A (Group A),  
March 15, 2012, valid until March 14, 2015  
Tax Identification No. 209-316-911  
BIR Accreditation No. 08-001998-96-2012,  
January 11, 2012, valid until January 10, 2015  
PTR No. 3670038, January 2, 2013, Makati City

April 26, 2013



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.  
AND SUBSIDIARIES  
INDEX TO FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES**

Reconciliation of Unappropriated Retained Earnings Available for Dividend Distribution

Schedule of all Effective Standards and Interpretations under PFRS



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**DECEMBER 31, 2012**

Deficit, as adjusted, beginning*	(₱145,731,151)
Net income based on the face of the Audited Financial Statements	137,980,015
Deficit, as adjusted, ending	(₱283,711,166)

*\*No adjustments for Deficit, beginning.*



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC.**

**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2012**

The table below presents the list of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRS Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities		Not early adopted	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 10	Consolidated Financial Statements		Not early adopted	
PFRS 11	Joint Arrangements		Not early adopted	
PFRS 12	Disclosure of Interests in Other Entities		Not early adopted	
PFRS 13	Fair Value Measurement		Not early adopted	
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		Not early adopted	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits		Not early adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements		Not early adopted	
PAS 28 (Amended)	Investments in Associates and Joint Ventures		Not early adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		Not early adopted	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Forecast Intragroup Transactions			
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓

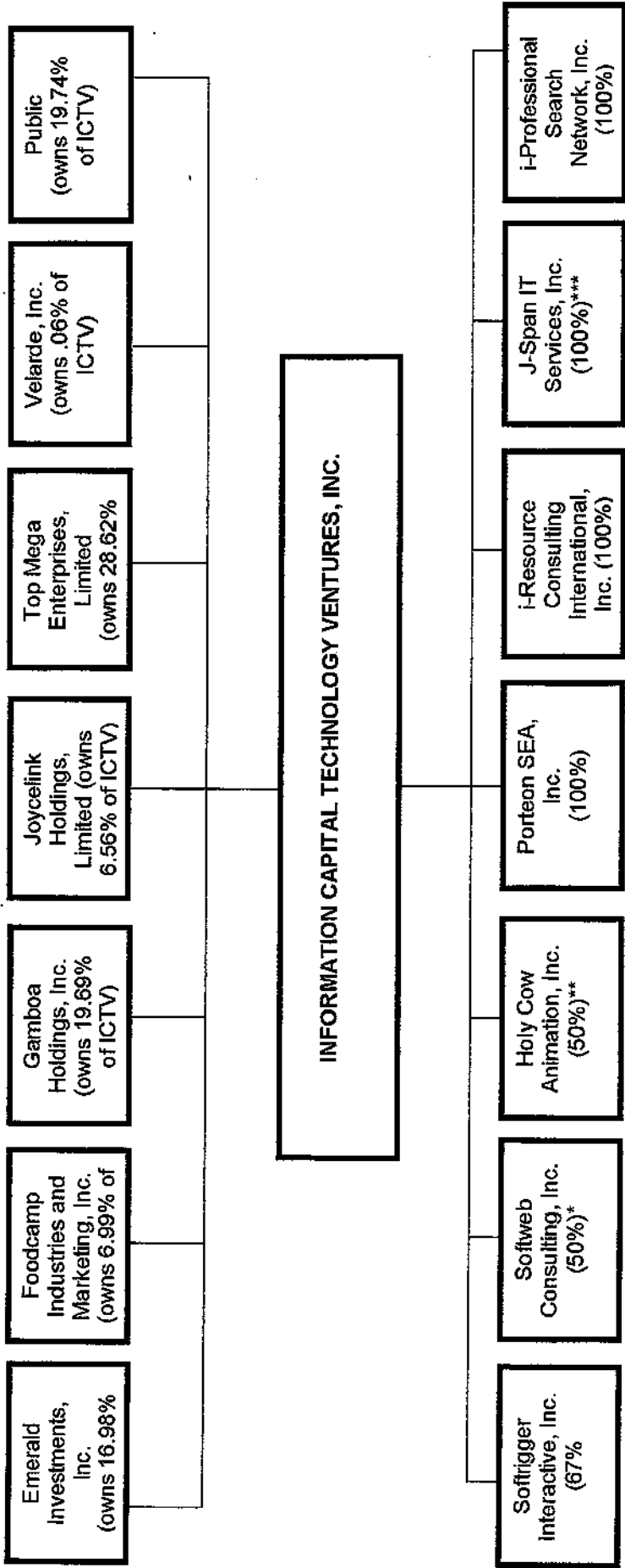




PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



**Information Capital Technology Ventures, Inc.**  
 Map of the Relationships as of 31 December 2012



**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule A - Financial Assets**  
**As of December 31, 2012**

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<u>Issuing Company</u>	<u>Number of shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Next Mobile, Inc.	2,656,580	1,289,278,350	1,289,278,350

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**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (other than Related Parties)**  
**As of December 31, 2012**

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Not Applicable

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**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule C - Amounts Receivable from Related Parties which are eliminated during the**  
**consolidation of the financial statements**  
**As of December 31, 2012**

<u>Subsidiary</u>	<u>December 31, 2012</u>
I-Resource Consulting, Inc.	3,391,277
Softrigger Interactive, Inc.	9,208,741
J-Span IT Services, Inc.	3,439,066
	<u>16,039,084</u>

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule D - Intangible Assets - Other Assets**  
**As of December 31, 2012**

Description	Beginning Balance (net BV)	Additions at cost	Charge to cost and expenses (depreciation)	Charged to other accounts	Other charges additions (deductions)	Ending Balance
Software	266,975	697,405	(231,823)	-	-	732,557

**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule E - Long Term Debt**  
**As of December 31, 2012**

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Not Applicable

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**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule F - Indebtedness to Related Parties (Long term loan**  
**As of December 31, 2012**

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Not Applicable

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**INFORMATION CAPITAL TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**Schedule G - Guarantees of Securities of Other Issues**  
**As of December 31, 2012**

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Not Applicable

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## Financial Soundness Indicators

		31-Dec	
		2012	2011
Liquidity	Current Ratio	0.6234	0.2826
Solvency	Debt to Equity Ratio	0.4241	0.2410
Equity	Asset to Equity Ratio	1.4241	1.2410
Interest	Interest Rate Coverage Ratio	-2.5490	-5.5766
Profitability	Profit Margin	-276.139%	-520.924%
	Return of Assets	-9.671%	-9.987%
	Return of Equity	-13.772%	-12.394%
	Book Value per share	0.7613	0.8657
	Earnings per share	-0.1048	-0.1073

The Key Performance Indicators are computed as follows:

### Liquidity:

Current Ratio = Current Assets/Current Liabilities

### Solvency:

Debt to Equity Ratio = Total Liabilities/Total Stockholders' Equity

### Equity:

Asset to Equity Ratio = Total Assets/Total Stockholders' Equity

### Interest:

Interest Rate Coverage Ratio = Earnings Before Interest and Taxes/Interest Expense

### Profitability:

Profit Margin %: Profit margin = Net income/Total Revenue x 100

Return on Assets %: Return on assets = Net Income/Total Assets x 100

Return on Equity % = Net Income/Total Stockholders' Equity x 100

Book Value per share = Total Stockholders' Equity/Average Outstanding Shares

Earnings per share = Net Income/Average Outstanding Shares

## Financial Soundness Indicators

		31-Dec	
		2012	2011
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Earnings per share = Net Income/Average Outstanding Shares