108132014002359

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	A199600179
Company Name	NOW CORPORATION
Industry Classification	Telecommunications
Company Type	Stock Corporation

Document Information

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Remarks	

COVER SHEET

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NOW CORPORATION

(Company's full name)

UNIT 5-1, 5TH FLOOR, OPL BUILDING, 100 C. PALANCA ST. CORNER DELA ROSA AND GIL STREETS, LEGASPI VILLAGE, MAKATI CITY

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

VICENTE I. PENANUEVA

Contact Person

750-0211

Company Telephone Number

0 8 — Month
1 2 — Day

2014

Fiscal Year

SEC Form 17-Q

Form Type

0 6 — Month
0 6 — Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2014**

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

4. Exact name of issuer as specified in its charter

   NOW CORPORATION

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

   MAKATI CITY, PHILIPPINES

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

7. Address of issuer's principal office Postal Code

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

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

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**1,317,278,350**

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

    Yes [x] No [ ]

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

    PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

Part I. Financial Information

Item 1. Financial Statements.

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

	YTD January to June		April 1 to June 30	
	2014	2013	2014	2013
ASSETS				
Current Assets				
Cash	2,098,178	3,145,452	(1,243,431)	1,860,072
Trade and Other receivable (Note 5)	58,407,265	55,553,508	8,145,146	18,476,842
Amounts owed by related parties (Note 10)	64,329,089	61,079,943	433,816	5,991,629
Other current assets (Note 6)	7,059,067	8,405,152	857,311	2,486,484
Total Current Assets	131,893,599	128,184,055	8,192,842	28,815,027
Noncurrent Assets				
Investments and advances (Note 7)	1,294,278,350	1,297,354,475	-	26,323
Property and equipment - net (Note 8)	8,757,773	13,994,630	(1,193,224)	(1,308,285)
Other noncurrent assets (Note 7)	24,231,397	22,737,843	(68,238)	(56,757)
Total Noncurrent Assets	1,327,267,520	1,334,086,948	(1,261,462)	(1,338,719)
TOTAL ASSETS	1,459,161,119	1,462,271,003	6,931,380	27,476,308
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable (Note 12)			-	
Current portion of obligations under finance lease (Note 11)	1,842,534	3,033,890	(920,756)	(42,734)
Accounts payable and accrued expenses (Note 9)	155,727,107	127,646,685	5,909,837	20,544,992
Amount owed to related parties (Note 10)	14,536,841	6,462,213	9,676,587	3,163,982
Income tax payable	-		-	
Total Current Liabilities	172,106,482	137,142,788	14,665,668	48,677,260
Noncurrent Liabilities				
Loans payable (Note 12)	44,500,000	44,500,000		
Obligations under finance lease - net of current portion (Note 11)	-	2,692,378	-	(390,183)
Amount owed to related parties (Note 10)	344,493,942	297,008,566	-	11,904,566
Total Noncurrent Liabilities	388,993,942	344,200,944	-	11,514,383
Equity Attributable to Equity Holders of the Parent				
Common stock - P1 par value (Note 13)				
Authorized - 1,320,000,000 shares				
Issued - 1,317,278,350.00 shares	1,317,278,350	1,317,278,350	-	
Deficit	(414,733,102)	(331,866,526)	(7,734,288)	(7,704,315)
Cumulative translation adjustments	644,839	644,839	-	

	903,190,087	986,056,663	(7,734,288)	(7,704,315)
Non-controlling Interest	(5,129,392)	(5,129,392)	-	
Total Equity	898,060,695	980,927,271	(7,734,288)	(7,704,315)
TOTAL LIBILITIES AND EQUITY	1,459,161,119	1,462,271,003	6,931,380	27,476,308

See accompanying Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENTS OF INCOME

	YTD January to June		April 1 to June 30	
	2014	2013	2014	2013
REVENUES				
Service fees	30,193,351	40,783,582	16,709,728	26,850,147
Marketing, management and consultancy fees	2,520,000	2,520,000	1,260,000	1,260,000
Interest income	3,361	1,092	1,056	777
Other income				
	32,716,712	43,304,674	17,970,784	28,110,924
EXPENSES				
Outside Services (Note 11)	7,779,025	21,692,158	3,319,810	7,322,137
Cost of Services (Note 11)	29,174,441	26,653,313	15,286,831	19,736,513
Communication	2,483,605	3,239,123	898,642	1,894,566
Depreciation and amortization (Note 9)	2,535,283	2,767,179	1,261,462	1,378,944
Light and water	926,797	2,466,159	506,435	1,508,299
Rental (Note 11)	1,719,423	2,009,693	1,013,742	768,200
Professional fees	861,091	1,681,929	360,639	717,773
Transportation and travel	801,231	816,691	534,510	683,080
Entertainment, amusement and recreation	1,356,183	764,257	672,222	457,286
Advertising and promotion	184,761	729,701	116,606	384,878
Interest (Note 11 and 13)	554,135	666,388	237,092	335,267
Others	192,550	460,166	158,179	184,335
Dues and subscription	269,829	362,643	12,417	69,439
Taxes and licenses	214,710	333,188	151,453	128,524
Repairs and maintenance	211,763	282,835	139,408	116,024
Office supplies	553,047	179,717	448,756	107,845
Directors' fee	45,000	28,500	30,000	15,000
Equity in net losses of associates (Note 8)	-	26,823		-
Insurance	109,055	20,724	32,471	-
Commission	-	18,393	-	13,393
Salaries and other employee benefits	726,293	-	521,060	-
Foreign exchange losses	(8,021)	-	2,026	(6,264)
	50,690,202	65,199,580	25,703,761	35,815,239
INCOME (LOSS) BEFORE INCOME TAX	(17,973,489)	(21,894,906)	(7,732,975)	(7,704,315)
PROVISION FOR INCOME TAX				
Current:				
Income	-	-	-	-
Final	1,366	406	1,312	-
	1,366	406	1,312	-
NET INCOME (LOSS)	(17,974,855)	(21,895,312)	(7,734,288)	(7,704,315)
ATTRIBUTABLE TO:				
Equity holders of the Parent	(17,974,855)	(21,895,312)	(7,734,288)	(7,704,315)
Non-controlling interests	-	-	-	-
	(17,974,855)	(21,895,312)	(7,734,288)	(7,704,315)
Basic /Diluted Earnings (Loss) Per Share	(0.0136)	(0.0166)	(0.0059)	(0.0058)

See accompanying Notes to Consolidated Financial Statements

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

	YTD January to June		April 1 to June 30	
	2014	2013	2014	2013
NET LOSS ATRRIBUTABLE TO:				
Equity holders of the Parent	17,974,855	21,895,312	7,734,288	7,704,315
Non-controlling interests	-	-		-
	17,974,855	21,895,312	7,734,288	7,704,315
OTHER COMPREHENSIVE INCOME				
Cumulative translation adjustment (Note 2)	-	-	-	-
TOTAL COMPREHENSIVE LOSS	17,974,855	21,895,312	7,734,288	7,704,315
ATTRIBUTABLE TO:				
Equity holders of the parent	17,974,855	21,895,312	7,734,288	7,704,315
Non-controlling interest				
	17,974,855	21,895,312	7,734,288	7,704,315

See accompanying Notes to Financial Statements

NOW CORPORATION
Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Jan 1 to June 30		April 1 to June 30	
	2014	2013	2014	2013
CAPITAL STOCK				
Authorized - 1,360,000,000 shares in 2006 and 40,000,000 shares in 2005				
Issued - 1,217,278,350 shares in 2006 and 28,000,000 shares in 2005				
Balance at the beginning of the year	1,317,278,350	1,317,278,350	1,317,278,350	1,317,278,350
Issuance				
Balance at end of the year	1,317,278,350	1,317,278,350	1,317,278,350	1,317,278,350
RETAINED EARNINGS				
Balance at beginning of the year	(396,113,408)	(309,971,214)	(411,483,367)	(328,646,764)
Net income (loss)	(17,974,855)	(21,895,312)	(7,734,288)	(7,704,315)
Deficit	(414,088,263)	(331,866,526)	(419,217,655)	(366,351,079)
Cumulative Translation Adjustment	-	644,839		
	(414,088,263)	(331,221,687)	(419,217,655)	(336,351,079)
Non-controlling equity	(5,129,392)	(5,129,392)		
Balance at end of year	(419,217,655)	(336,351,079)	(419,217,655)	(366,351,079)
Total Equity	898,060,695	980,927,271	898,060,695	980,927,271

See accompanying Notes to Consolidated Financial Statements

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

	Jan 1 to June 30		April 1 to June 30	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	(17,973,489)	(21,894,906)	(7,734,288)	(2,027,845)
Adjustments for:	-	-	-	-
Interest expense	554,135	666,388	237,092	335,267
Unrealized foreign exchange loss	8,021		2.026	
Equity in net losses of associates (Note 8)	-	26,823	-	-
Depreciation and amortization (Note 9)	2,535,284	2,767,179	1,261,462	1,378,944
Interest income	(3,361)	(1,092)	(1,056)	(777)
Operating income (loss) before working capital changes	(14,879,410)	(18,435,608)	(6,234,764)	(314,412)
Decrease (increase) in:				
Trade and other receivables	(13,412,633)	(22,108,789)	(8,145,146)	(18,476,842)
Other current assets	(1,459,552)	(2,655,569)	(857,311)	(2,486,484)
Increase (decrease)				
Accounts payable and accrued expenses	12,173,065	24,275,491	5,909,838	20,112,075
Net cash generated from (used in) operations	(17,578,530)	(18,924,475)	(9,327,383)	(1,165,662)
Interest received	3,361	1,092	1,056	1,184
Interest paid	(554,135)	(666,388)	(237,092)	(335,267)
Income taxes paid	(1,366)	-	(1,312)	-
Net cash flows from (used in) operating activities	(18,130,670)	(19,589,771)	(9,564,731)	(1,499,745)
CASH FLOW FROM INVESTING ACTIVITIES				
Increase in:				
Amounts owed by related parties	(9,517,126)	(8,942,721)	(433,816)	(5,991,629)
Other Noncurrent assets	136,475	1,747,591	68,237	124,995
Advances to an associate	-		-	-
Acquisition of property and equipment	(1,841,370)	(209,152)	(920,756)	(138,897)
Investments in associates (Note 7)		(3,103,048)		(26,323)
Net cash flows from (used in) investing activities	(11,222,021)	(10,507,330)	(1,286,335)	(6,031,854)
CASH FLOWS FROM A FINANCING ACTIVITY				
Increase in amounts owed to related parties	21,795,083	27,775,807	9,607,635	15,068,547
Proceeds from loan availment	-	4,000,000	-	-
	21,795,083	31,775,807	9,607,635	15,068,547
NET INCREASE (DECREASE) IN CASH	(7,557,608)	1,678,706	(1,243,431)	7,536,948
CASH AT BEGINNING OF THE YEAR	9,655,786	1,467,152	3,341,609	(4,391,092)
CASH AT END OF THE YEAR	2,098,178	3,145,858	2,098,178	3,145,856

See accompanying Notes to Consolidated Financial Statements

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

	YTD 2014 (Unaudited)	YTD 2013 (Audited)
ASSETS		
Current Assets		
Cash	2,098,178	9,655,786
Trade and Other receivable (Note 5)	58,407,265	44,994632
Amounts owed by related parties (Note 11)	64,329,089	54,811,963
Other current assets (Note 6)	7,059,067	5,599,515
Total Current Assets	131,893,599	115,061,896
Noncurrent Assets		
Investments and advances (Note 8)	1,294,278,350	1,294,278,350
Property and equipment - net (Note 9)	8,757,773	11,156,581
Other noncurrent assets (Note 7 and 8)	24,231,397	24,367,873
Total Noncurrent Assets	1,327,267,520	1,329,802,804
TOTAL ASSETS	1,459,161,119	1,444,864,700
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 13)	-	-
Current portion of obligations under finance lease (Note 12)	1,842,534	3,008,471
Accounts payable and accrued expenses (Note 10)	155,727,107	126,779,997
Amount owed to related parties (Note 11)	14,536,841	4,841,895
Income tax payable	-	-
Total Current Liabilities	172,106,482	134,630,363
Noncurrent Liabilities		
Loans payable (Note 13	44,500,000	44,500,000
Obligations under finance lease - net of current portion (Note 12)		675,433
Amount owed to related parties (Note 11)	344,493,942	349,023,354
Total Noncurrent Liabilities	388,993,942	394,198,787
Equity Attributable to Equity Holders of the Parent		
Common stock - P1 par value (Note 13)		
Authorized - 1,320,000,000 shares		
Issued - 1,317,278,350.00 shares	1,317,278,350	1,317,278,350
Deficit	(414,088,263)	(397,204,892)
Cumulative translation adjustments	-	1,091,857
	903.190,087	921,165,315
Non-controlling Interest	(5,129,392)	(5,129,765)
Total Equity	898,060,695	916,035,550
TOTAL LIBILITIES AND EQUITY	1,459,161,119	1,444,864,700

See accompanying Notes to Consolidated Financial Statements

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

	YTD 2014 (Unaudited)	YTD 2013 (Audited)
REVENUES		
Service fees	30,193,351	53,320,073
Sales		20,486,141
Marketing, management and consultancy fees (Note 11)	2,520,000	5,040,000
Interest income (Note 11)	3,361	471,820
	32,716,712	79,318,034
EXPENSES		
Cost of Services (Note 11	29,174,441	70,853,193
Interest (Note 11 and 13)	554,135	38,369,677
Outside Services (Note 11	7,779,025	25,517,320
Depreciation and amortization (Note 9)	2,535,283	6,147,237
Communication	2,483,605	5,265,685
Light and water	926,797	4,055,322
Professional fees	861,091	3,912,100
Rental (Note 11)	1,719,423	3,444,057
Entertainment, amusement and recreation	1,356,183	1,469,591
Transportation and travel	801,231	1,448,133
Provision on impairment loss on receivables (Note 5)		888,958
Advertising and promotion	184,760	1,228,900
Salaries and Other employee benefits	726,294	796,159
Taxes and Licenses	214,710	727,802
Insurance	109,055	609,567
Dues and Subscription	269,829	533,430
Office Supplies	553,047	347,884
Foreign Exchange Losses	(8,021)	218,203
Repairs and Maintenance	211,763	171,508
Directors' fee	45,000	39,000
Training and Development	-	22,625
Research and Development cost	-	3,484
Others	192,550	452,955
	50,690,201	166,522,790
LOSS BEFORE INCOME TAX	(17,973,489)	(87,204,756)
PROVISION FOR INCOME TAX		
Current:		
Income	-	28,816
Final	1,366	479
	1,366	29,295
NET LOSS	(17,974,855)	(87,234,051)
ATTRIBUTABLE TO:		
Equity holders of the Parent	(17,974,855)	(87,233,678)
Non-controlling interests	-	373
	(17,974,855)	(87,234,051)
Basic /Diluted Earnings (Loss) Per Share (Note 15)	(0.0136)	(0.662)

See accompanying Notes to Consolidated Financial StatementsX

NOW CORPORATION

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

	YTD 2014 (Unaudited)	YTD 2013 (Audited)
NET LOSS ATRRIBUTABLE TO:		
Equity holders of the Parent	17,974,855	87,233,678
Non-controlling interests		373
	17,974,855	87,234,051
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment (Note 2)		-447,018
TOTAL COMPREHENSIVE LOSS	17,974,855	86,787,033
ATTRIBUTABLE TO:		
Equity holders of the parent	17,974,855	86,786,660
Non-controlling interest		373
	17,974,855	86,787,033

See accompanying Notes to Financial Statements

NOW CORPORATION

(Formerly Information Capital Technology Ventures, Inc.)

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	YTD 2014 (Unaudited)	YTD 2013 (Audited)
CAPITAL STOCK		
Authorized - 1,360,000,000 shares in 2006 and 40,000,000 shares in 2005		
Issued - 1,217,278,350 shares in 2006 and 28,000,000 shares in 2005		
Balance at the beginning of the year	1,317,278,350	1,317,278,350
Issuance		
Balance at end of the year	1,317,278,350	1,317,278,350
RETAINED EARNINGS		
Balance at beginning of the year	-396,113,035	-309,971,214
Net loss	-17,974,855	(87,233,678)
Deficit	(414,087,890)	(397,204,892)
Cumulative Translation Adjustment		1,091,857
	(414,087,890)	(396,113,035)
Non-controlling equity	(5,129,765)	(5,129,765)
Balance at end of year	(419,217,655)	(401,242,800)
Total Equity	898,060,695	916,035,550

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION

(Formerly Information Capital Technology Ventures, Inc.)

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YTD 2014 (Unaudited)	YTD 2013 (Audited)
Loss before income tax	(17,973,489)	(87,204,756)
Adjustments for:		
Interest and Other charges(Note 11 & 13)	554,135	38,369,677
Depreciation and amortization (Note 9)	2,535,284	6,147,236
Provision on Impairment loss on receivables (Note 5)		888,958
Unrealized foreign exchange loss	8,021	262,505
Loss on disposal of property and equipment	-	50,024
Interest income	(3,361)	(4,787)
Impairment loss on goodwill (Note 7)		
Equity in net losses of associates (Note 8)		-
Operating income (loss) before working capital changes	(14,879,410)	(41,491,143)
Decrease (increase) in:		
Trade and other receivables	(13,412,633)	(12,350,699)
Other current assets	(1,459,552)	150,446
Increase (decrease)		
Accounts payable and accrued expenses	12,173,065	24,360,590
Net cash generated from (used in) operations	(17,578,530)	(29,330,806)
Interest received	3,361	4,787
Income taxes paid	(1,366)	(3,842)
Interest paid	(554,135)	(1,989,110)
Net cash flows from (used in) operating activities	(18,130,670)	(31,318,971)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Amounts owed by related parties	(9,517,126)	(2,674,741)
Other noncurrent assets	136,475	(146,785)

Acquisition of property and equipment(Note 9)	(1,841,370)	(528,234)
Investments in associates (Note 7)		-
Net cash flows from (used in) investing activities	(11,222,021)	(3,349,760)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	21,795,083	38,852,973
Proceeds from loan availment	-	4,000,000
Net cash flows from financing activities	21,795,083	42,852,973
NET INCREASE (DECREASE) IN CASH	(7,557,608)	8,184,242
EFFECT OF EXCHANGE RATE CHANGES ON CASH		4,392
CASH AT BEGINNING OF THE YEAR	9,655,786	1,467,152
CASH AT END OF THE YEAR	2,098,178	9,655,786

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES
AGING OF TRADE RECEIVABLES

	30-June-14	31-June-13
Current	4,741,259	550,277
1 -30 days past due	1,301,681	1,589,338
31 -60 days past due	6,502,447	1,068,570
61 -90 days past due	796,360	1,277,045
over 91 days past due	45,065,518	22,066,822
Total	58,407,265	26,552,052

NOW CORPORATION
(Formerly Information Capital Technology Ventures, Inc.)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

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

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

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

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

The PSE issued a Notice of Approval of the Company's application for transfer from SME Board to Second

Board on June 11, 2009.

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

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

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

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

Softrigger is a leading independent IT solutions and services provider with certified competencies in architecture and planning technology consulting, and enterprise project management. It is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services (see Note 8).

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

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

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

Softweb Consulting, Inc. is engaged in the business of IT consulting services and reseller of software and hardware and other related products (see Note 8).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the March 12, 2014 Regular BOD Meeting, the BOD delegated to the Chairman, or in his absence the Vice-Chairman, and President the authority to approve the issuance of the consolidated financial statements of the Company and its Subsidiaries (collectively referred to as the Group) as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013.

The consolidated financial statements of the Group as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2012 were authorized for issue by the Chairman and President on April 28, 2014.

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

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

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

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

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

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

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

  The application of PFRS 11 has no impact on the Group since there are no jointly controlled entities that are accounted for under the proportionate consolidation method.

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

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

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

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from the fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of the plan assets by the nature risk. The revised PAS 19 have no impact on the Group's financial position or performance.

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

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

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

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

Annual Improvements to PFRSs (2009-2011 cycle)

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

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

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

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

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and

the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board.

Basis of Consolidation

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

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

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

* *Not yet started commercial operations in 2013.*

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

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

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

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

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

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

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

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

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

Transactions with Non-controlling Interest

Non-controlling interest represent the portion of profit or loss and net assets in the subsidiaries not held by the

Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately, from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity holders transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to
non-controlling interest is also recognized directly in equity.

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and

pertinent conditions as at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset of liability, will be recognized in accordance with PAS 39 either in profit of loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

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

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

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

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

Financial assets under PAS 39, are classified as either financial assets at FVPL, loans and receivables, held to maturity (HTM) investments or AFS investments. The Group's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2013 and 2012, the Group has no outstanding financial assets at FVPL and HTM investments.

Under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of
December 31, 2013 and 2012, the Group has no outstanding financial liabilities at FVPL.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an

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

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included under "Interest income" account in the statement of income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on *Impairment of Financial Assets*). Loans and receivables are classified as current assets when it is expected to be realized within 12 months from the balance sheet date or within the normal operating cycle, whichever is longer.

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

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported as a separate account (net of tax where applicable) in the equity section of the consolidated balance sheet.
When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the statement of income. Dividends earned on holding AFS investments are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses in the consolidated statement of income.

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually

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

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

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

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

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

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, 2013 and 2012, the Group has no bifurcated embedded derivatives.

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

Investment in an Associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

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 five years or the term of the lease, whichever is shorter.

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

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

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

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

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

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

Provisions

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

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

Borrowing Costs

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

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

Input Value-Added Tax (VAT)

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

Output VAT

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

Common Stock

Ordinary shares are classified as equity.

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

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

Foreign Currency Translations

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

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

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

Revenue Recognition

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

Sale of goods

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

Service revenue

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

Marketing, management and consultancy fees

Fees are recognized when the related services have been rendered.

Interest

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

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

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

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

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

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

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

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

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

Segment Reporting
For management purposes, the Group's operating segments are organized and managed separately according to the nature of the services offered. In 2010, the Group started to operate its IT resource services segment. Prior to 2010, the Group operates mainly in one reportable business segment. The Group is in the business of security brokerage in the Philippines. However, in December 2008, it has amended its primary business purpose from a security broker to a technology, media and telecommunications company (see Note 1). The Group's identified operating segments are consistent with the segments reported in the BOD, which is the Group's Chief Operating Decision Maker. Financial information on the operating segments are presented in Note 18.

4. Significant Accounting Judgments and Estimates

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

statements. Actual results could differ from such estimates.

Judgments

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

Determining functional currency

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

Operating lease commitment - Company as lessee

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

Finance lease commitments - Company as lessee

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

Acquisition accounting

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

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

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

Determination of Control or Significant Influence Over an Investee Company.

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

Assessing impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the generating cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill from business combination was fully impaired in 2012 (see Note 7).

Estimates

Estimating allowance for impairment losses of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as on historical loss experience. Allowance for impairment loss is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of action. As of December 31, 2013 and 2012, allowance for impairment on receivable amounted to ₱2,648,260 and ₱1,759,302, respectively. Trade and other receivables net of allowance amounted to ₱44,994,632 and

₱33,444,719 as at December 31, 2013 and 2012, respectively (see Note 5).

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

As of December 31, 2013 and 2012, the carrying amounts of property and equipment amounted to ₱11,156,581 and ₱16,552,657, respectively (see Note 9).

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

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

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

No impairment loss was recognized on the AFS investments. The carrying amount of AFS investments amounted to ₱1,289,278,350 as of December 31, 2013 and 2012 (see Note 8).

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

No deferred income tax asset was recognized on deductible temporary difference amounting to ₱281,965,133 and ₱200,592,990 as at December 31, 2013 and 2012, respectively, since management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilized (see Note 15).

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

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

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

No impairment loss on these nonfinancial assets was recognized in 2013 and 2012. The aggregate carrying amounts of property and equipment, other current assets advances and other noncurrent assets amounted to ₱46,127,332 and ₱51,787,573 respectively (see Notes 6, 7, 8 and 9).

Estimating fair value of financial instruments

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

5. Trade and Other Receivables

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

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

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

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

Movement in allowance for impairment losses are as follows:

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

6. Other Current Assets

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

7. Business Combination

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

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

	Fair value recognized on acquisition
Assets:	
Cash	₱41,884
Trade and other receivables	6,582,251

	Fair value recognized on acquisition
Other current assets	715,588
Property and equipment	2,183,910
	9,523,633
Liabilities:	
Trade and other payables	3,915,031
Other current liabilities	8,087,022
	12,002,053
Total identifiable net liabilities at fair value	(₱2,478,420)

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

Provisional goodwill is recorded under "Other noncurrent assets" account in the consolidated balance sheet as at December 31, 2011.

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

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

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

From the date of acquisition, the additional interest in Softrigger has resulted to additional net loss of ₱ 8,744,047 to the Group's results of operations. This newly-qualified subsidiary has likewise contributed ₱ 3,009,699 in revenue to the Group in 2011.

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

8. Investments and Advances

Investments

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

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

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

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

	2013	2012
Acquisition cost:		
Balances at beginning and end of year	**₱6,000,000**	₱6,000,000

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

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

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

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

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

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

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

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

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

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

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

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

As mentioned in Note 1, in 2008, the PSE approved the application for the listing of the additional ₱ 1,289,278,350 common shares to cover the share-for-share swap transactions with NOW Telecom shareholders.

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

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

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

9. Property and Equipment

As of December 31, 2013

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

As of December 31, 2012

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

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

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

10. Accounts Payable and Accrued Expenses

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

11. Related Party Transactions

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

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

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

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

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

   Amounts owed by NOW Telecom as of December 31, 2013 and 2012 amounted to ₱17,853,801 and ₱18,665,049 respectively. From the foregoing events, these receivables are due and demandable.

b. On August 30, 2005, the Company entered into a Loan Agreement with IMX Broadband Inc. (IBI) for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% interest per annum and is payable no later than August 30, 2010. Partial pre-payments on the principal may be made prior to this date. The interest is due and demandable only on maturity date. Interest was reduced by the parties to 5.5% per annum in 2007 and shall be subject to annual repricing subsequent to 2007.

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

   IBI is under common ownership with the Group.

c. In 2008, the Company entered into a Sub-Lease Agreement (Agreement) with Emerald Investments,

Inc.(EII) for the lease of a 270 square meter condominium unit in Makati. The lease shall be for four (4) years, commencing on January 1, 2008 until December 31, 2011. Rental expense charged to operations amounted to ₱2,482,061 in 2011.

On December 17, 2009, the Company and EII agreed that the Company shall lease the whole floor of the condominium, consisting a total area of 546 square meters. For the period November 1, 2010 to October 31, 2011, the sub-lessee shall pay monthly rental at the rate of ₱474 per square meter, for a total monthly rental of ₱258,804. The lease ended on October 2011 and the Company moved to another office space.

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

EII is a stockholder of the Group.

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

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

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

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

   On November 08, 2012, the BOD of Velarde, Inc. has agreed to enter into an agreement with the Company for the deferment of accrual of interest starting November 2012. In accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, the Company calculated for the effective interest rate during the periods of deferral. Accretion/interest expense was recognized in the statements of income using the effective interest rate. Interest expense amounted to ₱19,606,523 and ₱37,584,021 in 2013 and 2012, respectively. Outstanding accrued interest amounted to ₱79,510,109 and ₱59,903,586 as of December 31, 2013 and 2012, respectively.

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

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

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

   Related party transactions are generally settled in cash.

Related parties	Category	Amount	Amounts owed by related parties	Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions
Shareholders								
Velarde, Inc.	**Advances 2013**	**₱59,502,678**	**₱–**	**₱–**	**₱349,023,354**	**₱–**	**On demand**	**Unsecured**
	2012	66,454,181	–	–	272,746,632	–	On demand	Unsecured
	Management fee							
	2013	**240,000**		**720,000**	**–**	**–**	**On demand**	**Unsecured**
	2012	240,000		480,000	–	–	On demand	Unsecured
GHI	**Advances 2013**	**–**	**–**	**–**	**–**	**2,035,055**	**On demand**	**Unsecured**
	2012	2,035,055	–	–	–	2,035,055	On demand	Unsecured
EII	**Advances 2013**	**–**	**40,848**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	40,848	40,848	–	–	–	On demand	Unsecured
	Leases 2013	**–**	**–**	**–**	**2,902,918**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	–	–	2,902,918	–	On demand	Unsecured
Affiliates								
NOW Telecom (formerly NMI)	**Advances 2013**	**–**	**18,096,538**	**–**	**242,737**	**–**	**On demand**	**Unsecured, no impairment**
	2012	5,321,472	18,710,307	–	45,421	–	On demand	Unsecured, no impairment
KPSC	**Advances 2013**	**–**	**286,503**	**–**	**–**	**11,488,278**	**On demand**	**Unsecured, no impairment**
	2012	(105,000)	752,470	–	–	–	On demand	Unsecured, no impairment
	Services 2013	**38,586,518**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured**
	2012	75,160,352	–	–	–	6,489,673	On demand	Unsecured
AIJC	**Advances 2013**	**163,554**	**705,911**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	511,858	542,358	–	–	–	On demand	Unsecured, no impairment
IBI	**Advances 2013**	**–**	**15,567,752**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	–	15,567,752	–	–	–	On demand	Unsecured, no impairment
	Interest 2013	**467,033**	**10,061,860**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2012	934,063	9,594,827	–	–	–	On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Amount	Amounts owed by related parties	Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions

Related parties	Category	Amount	Amounts owed by related parties	Trade and other receivables	Amounts owed to related parties	Trade and other payables	Terms	Conditions
Holycow	Loans 2013	₱–	₱–	₱2,211,771	₱–	–	On demand	Unsecured, no impairment
	2012	178,771	–	2,211,771	–	–	On demand	Unsecured, no impairment
	Interest 2013	–	156,000	–	–	–	On demand	Unsecured, no impairment
	2012	156,000	–	156,000	–	–	On demand	Unsecured, no impairment
Associate								
Softweb	Advances 2013	1,198,338	6,921,104	–	1,696,240	–	On demand	Unsecured
	2012	7,269,542	4,054,360	–	–	–	On demand	Unsecured
	Loans 2013		714,000	–	–	–	On demand	Unsecured, no impairment
	2012	–	500,000	–	–	–	On demand	Unsecured, no impairment
	Sales 2013	20,486,141	–	9,193,463	–	–	On demand	Unsecured, no impairment
	2012	17,159,155	214,000	6,244,536	–	–	On demand	Unsecured, no impairment
	Management fee							
	2013	4,800,000	–	10,790,000	–	–	On demand	Unsecured, no impairment
	2012	4,800,000	–	5,990,000	–	–		
Paradiso Verde	Services 2013	101,147	101,147	–	–	–	On demand	Unsecured, no impairment
	2012	–	–	–	–	–	On demand	Unsecured, no impairment
Porteon Electric Vehicles, Inc.	Loans 2013	–	2,160,300	–	–	–	On demand	Unsecured, no impairment
	2012	–	2,160,300	–	–	–	On demand	Unsecured, no impairment
Total	2013		₱54,811,963	₱22,915,234	₱353,865,249	₱13,523,333		
	2012		52,137,222	15,082,307	275,694,971	8,524,728		

12. Lease Commitments

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

The future minimum lease payments of the Group for the obligations under finance lease as of December 31, 2013 and 2012 are as follows:

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

13. Loans Payable

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

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

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

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

14. Capital Stock

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

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

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

As of December 31, 2013, the proposed increase in authorized capital stock is pending implementation and application with the SEC.

15. Income Taxes

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

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

	2013	2012	2011
Statutory income tax at 30%	**(₱26,161,427)**	(₱41,371,961)	(₱42,369,696)
Tax effects of:			
Unrecognized deferred income tax assets on:			
NOLCO and MCIT	**13,923,011**	26,634,808	33,168,936

	2013	2012	2011
Allowance for impairment losses	**266,687**	328,409	199,381
Unrealized foreign exchange loss	**78,752**	54,017	–
Accrued interest expense	**10,914,503**	11,558,021	6,411,984
Impairment on goodwill	–	1,146,400	–
Equity in net losses of associates	–	923,018	2,366,525
Unallowable EAR	**286,792**	869,887	84,781
Final tax on interest income	**479**	937	1,730
Nondeductible interest expense	**333**	464	1,110
Interest income subjected to final tax	**(1,436)**	(2,342)	(3,163)
Others	**721,601**	61,844	243,201
	₱29,295	₱203,502	₱104,789

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

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

16. Basic/Diluted EPS

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

	2013	2012	2011
Net loss (a)	**₱87,234,051**	₱138,110,040	₱141,337,107
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	**1,317,278,350**	1,317,278,350	1,317,278,350
Basic/dilutive loss per share (a/b)	**₱0.0662**	₱0.1048	₱0.1073

For the years ended December 31, 2013, 2012 and 2011, there were no shares of stock that have a potentially dilutive effect on the basic EPS of the Group.

17. Financial Instruments

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

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

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2013 and 2012, based on contractual undiscounted cash flows. The tables also analyze the maturity profile of the Group's financial assets that can be used to finance maturing financial obligations. The

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

December 31, 2013

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

Except government payables

December 31, 2012

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

Except government payables

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

Credit Risk

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

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

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

As at December 31, 2013 and 2012, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets.

Credit quality per class of financial asset

The credit quality of financial assets is being managed by the Group using internal credit ratings. The Group considers its financial assets that are neither past due nor impaired amounting to ₱1,391,341,331 and ₱1,376,327,443 as of December 31, 2013 and 2012 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.

The Group has impaired receivables amounting to ₱2,648,260 and ₱1,759,302 as of December 31, 2013 and 2012, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk from its loan payable. Dues from affiliates and finance lease obligations have fixed interest rates.

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

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

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

Fair Value and Categories of Financial Instruments

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

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

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

AFS investment

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

Noncurrent amounts owed to related parties

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

Loans payable

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

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

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

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

As of December 31, 2013 and 2012, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2013

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

December 31, 2012

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

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

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

December 31, 2013

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

December 31, 2012

	Cash on hand	Loans and receivables	AFS investments	Other financial liabilities
Financial assets				

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

Capital Management

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

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

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

No changes were made in the objectives, policies or processes during the years ended December 31, 2013, 2012 and 2011.

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

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

18. Business Segment Information

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

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

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

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

	2013		
	IT Resource Management	**IT products and services**	**Total**
Service, marketing, management and consultancy fees	**₱38,324,733**	**₱40,521,472**	**₱78,846,205**
Interest income	**1,769**	**470,051**	**471,820**
Total revenue	**₱38,326,502**	**₱40,991,532**	**₱79,318,034**
Equity in net losses of associates	**₱–**	**₱–**	**₱–**
Provision for income tax	**–**	**29,295**	**29,295**
Net income (loss)	**(4,549,238)**	**(82,684,813)**	**(87,234,051)**
Other information:			
Investments and advances	**–**	**1,294,278,350**	**1,294,278,350**
Capital expenditures	**4,315,446**	**6,841,135**	**11,156,581**
Segment assets	**13,497,662**	**125,932,107**	**139,429,769**

	2013		
	IT Resource Management	**IT products and services**	**Total**
Segment liabilities	**29,655,510**	**499,173,640**	**528,829,150**
Depreciation and amortization	**1,077,792**	**5,069,445**	**6,147,237**

	2012		
	IT Resource Management	IT products and services	Total
Service, marketing, management and consultancy fees	₱19,034,850	₱29,854,933	₱48,889,783
Interest income	2,077	1,122,829	1,124,906
Total revenue	₱19,036,927	₱30,977,762	₱50,014,689
Equity in net losses of associates	₱–	₱3,076,725	₱3,076,725
Provision for income tax		(203,502)	(203,502)
Net loss	12,565,837	124,947,506	137,513,343
Other information:			
Investments and advances	–	1,294,278,350	1,294,278,350
Capital expenditures	5,460,109	11,092,548	16,552,657
Segment assets	11,755,882	1,416,358,634	1,428,115,016
Segment liabilities	38,780,748	386,511,685	425,292,433
Depreciation and amortization	2,044,851	4,908,034	6,952,885

	2011		
	IT Resource Management	IT products and services	Total
Service, marketing, management and consultancy fees	₱21,386,746	₱3,889,372	₱25,276,118
Interest income	5,252	1,845,953	1,851,205
Scrap sales	4,700	–	4,700
Total revenue	₱21,396,698	₱5,735,325	₱27,132,023
Equity in net losses of associates	₱–	₱7,888,415	₱7,888,415
Provision for income tax	–	104,789	104,789
Net loss	52,317,653	89,019,454	141,337,107
Other information:			
Investments and advances	–	1,297,355,075	1,297,355,075
Capital expenditures	5,626,679	10,901,613	16,528,292
Segment assets	18,463,549	1,396,693,712	1,415,157,261
Segment liabilities	21,608,169	253,213,166	274,821,335
Depreciation and amortization	1,010,473	3,661,097	4,671,570

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

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

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

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

- Total Consolidated revenues in the second quarter of 2014 amounted to Php17.971 Million, a 36% decrease worth Php10.140 Million from last year's second quarter revenue of Php28.111 Million. These were due to the decrease of Revenue from IT Services amounted to Php16.710M this year from Php26.850M last year, while Interest Income increase to Php1.056K this year from Php 0.777K last year, while Management consultancy fee has a constant Php1.260M for both quarters.

- Operating expenses for the second quarter of 2014 is Php10.417 Million decrease significantly by 35% amounted to Php5.662M from second quarter last year's of Php16.079 Million. The decrease were brought about largely by the decrease on the contracted outside services due to the reclassification from just a mere operating cost to a direct cost of the said revenue in the amount of Php4.002M inclusive of manpower reduction for cost efficiency measures. Other decreases were Light and Water by Php 1.002M, communication by Php996K, and Advertising & Promotion by Php268K.

- As of June 30, 2014, the total consolidated assets of the Company stood at Php1.459 Billion compared with last year's Php1.462 Billion or a decrease by Php3.110 Million. Current Assets increased by Php3.7M or 3% from Php128.183M to Php131.894M were due to the increase in trade receivables by Php2.853M, increase in amounts owed by related parties by Php3.245M, while other current assets decreased by Php1.346M and cash balance decreased by Php1.047M. Non-current assets decreased by Php6.820M due to decrease in Property and equipment worth Php5.237M while other noncurrent assets increase by Php1.494 Million.

- Current liabilities increased by Php34.964M or 25% of Php137.143M for the second quarter of last year's compared to this year's second quarter of Php172.106M. These were brought about by the increase in Accounts payable and accrued expenses for Php28.081M though the obligations under finance lease for the purchase of company vehicles in the year 2010 which will be over this year decreased by Php1.191M. Noncurrent liabilities on the other hand increased by Php44.793M mainly due to the increase in amounts owed to related parties by Php47.485M and was equalized by Php2.692M of Noncurrent obligation under finance lease which was concluded to zero amount this year.

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

- Total Assets stood at Php1.459 billion, Liabilities at Php561.1 Million and Equity at Php898.061 Million.

Part II. Other Information

Item 1. 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 cyclicality of the interim operations of the Company.

SIGNATURES

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

Principal Financial/Accounting Officer/Controller **MR. VICENTE I. PENANUEVA**
Signature and Title **Treasurer**
Date **12 August 2014**