SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2013**

2. Commission identification number **A200117595**

3. BIR Tax Identification No **214 815 715 000**

4. Exact name of issuer as specified in its charter **Touch Solutions Inc.**

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office **901 Jafer Place , 19 Eisenhower Street , Greenhills San Juan 1504**

8. Issuer's telephone number, including area code **(632) 721-0431**

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 Common Stock Outstanding and Amount of Debt Outstanding
Common	61,750,005 shares

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

Yes [/] No [ ]

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

Philippine Stock Exchange: Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The following financial statements are submitted as part of this report

a. Unaudited Statements of Income and Retained Earnings for the three months ended March 31,2013 and March 31,2012;
b. Unaudited Balance Sheet as of March 31,2013 and Audited Balance Sheet as of December 31,2012
c. Unaudited Statements of Changes in Stockholder's Equity for the three months ended March 31, 2013 and March 31, 2012
d. Unaudited Statements of Cash Flow for the three months ended March 31, 2013 and March 31,2012

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

Comparable Discussion on Material Changes in Results of Operations for the Threee Months' Period Ended March 31,2013 vs. March 31, 2012

Revenues

The Group generated total revenue of Php 30.79 million for the three consecutive months ended March 31, 2013. There is a 20% revenue growth that amounts to Php 30.79 million as compared to the overall revenue of previous year's comparative period amounting to Php 25.58. million. The significant increase in revenue is brought by the combined sales of the Parent and its subsidiary. TSI 's consultancy services had a tremendous increase of 214% followed by CORE training with an increase of 297% as compared to the previous year. The subsidiary's revenue chiefly came from the sales of ERP and accounting software products and services which amounts to Php 16.48 million as of reporting date. The revenue of ERP licenses has increased at 80%.

Expenses

The Group's total expenses, operating and cost of sales combined including depreciation and amortization, for the three months ended March 31, 2013 amounts to Php 29.29 million. The figure is up by 10% or an increase in amount of P2.69 million. The minimal rise in expenses is due to the increase in cost of licenses and consultancies amounting to Php3.91 million or up by 25%, proportionally to the increase in revenue. The expenses are quite conservative and somehow the group proved a bit of its cost saving effective measures on the following expenses: Decrease in Marketing Expenses by 89%; Decrease in Repairs by 51%; Decrease in Utilities Expense by 47%; Decrease in Transportation Expense by 65%.

The decrease in Marketing Expense and Legal Outside Services by 89% and 93% respectively can be attributed to the one time expenses directly related to the IPO . Otherwise ,other expenses are attributed to the following with more than ten (10) percent increase:

1. Legal and Professional Fee rose by 649% due to the additional consultants hired by the group.
2. Rental Charges has increased by 16% due to the combined office rentals of its subsidiary.
3. Seminars , Meetings and Trainings rose by 31% due to the scheduled trainings and seminars to be attended by the employees for the first quarter of the year.
4. Salaries and Employee Benefits has increased by 23% due to the result in the changes of the organization's structure and hiring of additional officers.
5. Other expenses has increased by 520% due to the company sponsored programs that the group has implemented for the 1st half of the year.

Other Income(Charges)
Other income's considerable decrease is only due to the timing of the maturity dates of the placements.

Net Income(Loss)
The Group's sustained a positive net result for the three (3) months period ending March 31, 2013 amounting to Php1.44 million as compared to the negative net result amounting to Php -438,000 of the previous comparative period.

Comparable Discussion on Material Changes in Financial Condition – March 31,2013 vs. December 31,2012

Total assets of the Group improves by 4.08% , amounting to Php 8.1 million, from Php 198.47 million as of December 31, 2012 to Php 206.58 million as of March 31, 2013. The growth in total assets is attributed mainly to the increase in trade and other receivables and other current assets including the acquisition of fixed assets with a collective upward surge of Php 12.77 million net of Php 0.77 million depreciation. Downward change in cash and cash equivalents amounting to Php 4.67 million counters the overall increase of Php 12.77 million to a net increase of Php 8.1 million. (Refer to the Statement of Cash Flows)

Total liabilities upsurges by 10.19%, amounting to Php 6.66 million, for the three (3) month's period gap ending March 31, 2013, from Php 65.35 million to Php 72 million. The increase in total liabilities can be directly traced to the increase in trade and other payables pertaining to the cost of sales both accrued and outstanding.

The stockholders' equity projects an upward slope 4.08% from Php133.13 million to Php 134.57 million for the three (3) month's period gap as of March 31, 2013 due to the reported net income of Php 1.44 million as reflected on the deficit portion of the equity.

Comparable Discussion on Material Changes in Cash Flows for the Three Months Ended March 31, 2013 vs. March 31, 2012

The Group's cash and cash equivalents decreased by 39.60% from Php106.73 million to Php64.47 million for the comparative period as of March 31,2012 and 2013, respectively. The significant net decrease in the cash flows mainly come from the increase in trade and other receivables and increase in payables.

Discussion and Analysis of Material Events and Uncertainties Known to Management

As of March 31, 2013, except for what has been noted in the preceding part, there were no material events or uncertainties known to management that has a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

1. Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
2. Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short term or long term liquidity;
3. 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;
4. Significant elements of income or loss that did not arise from the Company's continuing operations;
5. Seasonal aspects that had a material impact on the Company's results of operations;

6. Material changes in the financial statements of the Company for the periods ended December 31,2012 to March 31,2013, except those mentioned above;
7. Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation; and
8. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

Key Performance Indicators

Other than the financial soundness indicators as enumerated on pages 6 & 7 the Group's management has identified the following five (5) major financial indicators to analyze results of operations and overall financial condition as follows:

Key Performance Indicators	**Discussion**	**31-March-13**	**31-March-12**
Gross profit margin	It assesses the firm's financial health by revealing the proportion of profit left over from sales after deducting the related cost. Gross profit margin serves as an indicator on how much the Group is bound to spend to sustain its operations without harming the net result. Computed as: $GPM = \frac{\text{Net sales} - \text{Cost of sales}}{\text{Net sales}}$	37%	39%
Operating margin	This measures the Group's pricing strategy and operating efficiency. It measures how much profit is left over after deducting the cost and incurring expenses necessary for operations. It's an effective tool to assess how much the Group earns before tax for each peso sales. Computed as: $OM = \frac{\text{Operating income}}{\text{Net sales}}$	5%	-3%
Earnings before interest, depreciation and amortization (EBITDA)	It is essentially the net operating result with interest, taxes, depreciation and amortization added back to it. This financial indicator eliminates the effects of financing and accounting decisions making it a useful tool for the management to analyze profitability. Computed as: EBITDA = Revenue – Expenses (excluding tax, interest, depreciation and amortization)	Php 2.29M	Php -0.09M
Return on	This is essentially the operating margin after tax or the	5%	-2%

sales	net result of operations. It reveals how much the Group earns after tax for each peso sales. Computed as: $\text{ROS} = \frac{\text{Net income}}{\text{Net sales}}$		
Return on equity	This gauges the Group's profitability by revealing how much profit is earned from their investments. Computed as: $\text{ROE} = \frac{\text{Net income}}{\text{Shareholders' equity}}$	1%	0%

Financial Soundness Indicatorsl

The following key financial indicators signify the Group's financial soundness as of the comparative reporting dates. The Group uses these core financial soundness indicators (FSI) as tools to assess the strengths and vulnerability of its financial condition.

		31-March-13 (Unaudited)	**31-Dec-12 (Audited)**
Current ratio	$= \frac{\text{Current assets}}{\text{Current liabilities}}$	2.29 : 1.00	2.43 : 1.00
Quick ratio	$= \frac{\text{Cash + Marketable securities + Trade receivables}}{\text{Current liabilities}}$	2.24 : 1.00	2.37 : 1.00
Debt-to-equity ratio	$= \frac{\text{Total liabilities}}{\text{Total stockholders' equity}}$	0.54 : 1.00	0.49 : 1.00
Asset-to-equity ratio	$= \frac{\text{Total assets}}{\text{Total stockholders' equity}}$	1.54 : 1.00	1.49 : 1.00
Debt ratio	$= \frac{\text{Total liabilities}}{\text{Total assets}}$	0.35 : 1.00	0.33 : 1.00
Book value per share	$= \frac{\text{Total shareholders' equity – Preferred equity}}{\text{Total assets}}$	Php2.18/share	Php1.89/share

	31-March-13	**31-March-12**

		(Unaudited)	(Unaudited)
Return on sales	= Net income / Net Sales	4.7%	-1.7%
Gross profit margin	= Net sales – Cost of sales / Net Sales	36.6%	38.9%
Operating margin	= Operating income / Net Sales	5.2%	-3.3%
Total asset turnover	= Net sales / Total assets	0.15 times	0.13 times
Return on equity	= Net income / Total assets	1.1%	-0.5%
Return on asset	= Net income / Total assets	0.7%	-0.2%

PART II – OTHER INFORMATION

Other Required Disclosures

During the April 10, 2013 special stockholders' meeting, the stockholders approved the sale of all or substantially all of the Company's assets to its wholly-owned subsidiary, Sagesoft Solutions, Inc. Considering that the sale is to a wholly-owned subsidiary of the Corporation, it would have no material impact on the financial performance of the Company.

As of March 31, 2013, except for what has been noted in the preceding part, there were no material events or uncertainties known to management that has a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

1. The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2012.
2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD & A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
4. Except as disclosed in the MD & A, there were no other issuance, repurchases and repayments of debt and equity securities.

5. Except as disclosed in the MD & A, there were no changes in the composition of the Group during the interim period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
6. There exist no material contingencies and other material events or transactions affecting the current interim period.
7. There were no dividends declared and disbursed as of March 31, 2013.

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TOUCH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		MAR 31, 2013 (UNAUDITED)		DEC. 31, 2012 (AUDITED)
ASSET				
Current Assets				
Cash and cash equivalents	**P**	**64,471,217**	P	69,134,610
Short-term placements		**40,000,000**		40,000,000
Trade and other receivables		**55,312,959**		43,400,682
Other current assets		**3,649,013**		3,472,944
Total Current Assets		**163,433,189**		156,008,236
Noncurrent Assets				
Property and equipment		**7,158,668**		5,931,656
Computer software		**27,872,181**		28,126,213
Goodwill		**6,752,926**		6,752,926
Deferred tax asset		**732,074**		732,074
Other receivable		**924,500**		924,500
Total Noncurrent Assets		**43,440,349**		42,467,369
	P	**206,873,538**	P	198,475,605
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**P**	**71,231,695**	P	64,278,403
Noncurrent Liabilities				
Retirement liability		**1,059,735**		1,059,735
Deferred tax liability		**9,568**		9,568
Total Noncurrent liabilities		**1,069,303**		1,069,303
		72,300,998		65,347,706
Equity				
Capital stock		**61,750,005**		61,750,005
Deposit for future subscription		**-**		-
Additional paid-in capital		**99,789,060**		99,789,060
Deficit		**(26,966,525)**		(28,411,166)
Total Stockholders' Equtiy		**134,572,540**		133,127,899
	P	**206,873,538**	P	198,475,605

TOUCH SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the Three Months Period Ended March 31, 2013
with figures of previous year's compartive period

		Q1 2013		Q1 2012
REVENUE	P	**30,794,569**	P	25,579,887
OTHER INCOME		**161,512**		575,416
		30,956,081		26,155,304
EXPENSES				
Cost of sales and services		**19,527,392**		15,620,015
Salaries and employee benefits		**4,357,936**		3,546,224
Depreciation and amortization		**773,961**		741,601
Rental		**622,285**		536,530
Light, water and communication		**336,342**		632,677
Research and development		**365,175**		1,676,353
Marketing		**217,487**		2,019,909
Transportation and travel		**215,652**		614,174
Legal and professional		**615,221**		82,126
Seminars, meetings and trainings		**420,062**		321,378
Outside services		**24,803**		346,821
Office supplies		**113,063**		98,303
Representation		**132,770**		21,138
Repairs and maintenance		**19,392**		39,477
Taxes and licenses		**408,168**		125,821
Foreign exchange loss - net		**77,626**		-
Other expenses		**1,058,068**		170,776
		29,285,403		26,593,323
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX		**1,670,678**		(438,019)
PROVISION FOR INCOME TAX		**226,037**		510
TOTAL COMPREHENSIVE LOSS	**P**	**1,444,641**	P	(438,530)

TOUCH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the Three Months Period Ended March 31, 2013
with figures of previous year's compartive period

		2013		2012
Capial stock				
Authorized - 100,000,000 shares at P1 par value				
Issued and outstanding				
Balance at beginning of year	P	61,750,000	P	55,750,005
Issuance of capital stock		-		-
		61,750,000		55,750,005
Additional Paid-in Capital				
Balance at beginning of year		99,789,060		72,789,060
Issuance of capital stock		-		-
		99,789,060		72,789,060
Deposits for Future Stock Subscription				
Balance at beginning of year		-		-
Issuance of capital stock		-		-
		-		-
Deficit				
Balance at beginning of year		(28,411,163)		(31,184,595)
Total comprehensive loss		1,444,641		(438,530)
		(26,966,523)		(31,623,125)
	P	134,572,537	P	96,915,940

TOUCH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the Three Months Period Ended March 31, 2013

with figures of previous year's compartive period

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	P	1,670,678	P	(438,019)
Adjustments for:				
Depreciation and amortization		773,961		741,601
Interest income		(153,209)		(396,726)
Operating gain(loss) before changes in working capital		2,291,430		(93,144)
Decrease(increase) in:				
Trade and other receivables		(11,912,276)		10,625,869
Other current assets		(176,069)		(713,496)
Increase(decrease) in:				
Trade and other payables		6,953,292		(10,319,960)
Net cash used in operations		(2,843,623)		(500,731)
Interest received		153,209		396,726
Income taxes paid		(226,037)		(510)
Net Cash Used in Operating Activities		(2,916,451)		(104,516)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment		(1,746,947)		(1,225,297)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(4,663,399)		(1,329,813)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		69,134,615		108,059,417
CASH AND CASH EQUIVALENTS AT END OF YEAR	P	64,471,217	P	106,729,604

1. Corporate Information

Touch Solutions, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2001. It started commercial operations in January 2002 to engage primarily, among others, in establishing and operating information technology services and products.

The Parent Company's registered address is Unit 901 Jafer Place Building, 19 Eisenhower St., Greenhills, San Juan City.

The Parent Company has a subsidiary, Sagesoft Solutions, Inc. (SSI), which was incorporated in the Philippines. This subsidiary, which was previously an associate of the Parent Company, was acquired on December 29, 2011.

SSI was registered with the SEC on November 25, 2004 and started commercial operations in January 2005 to engage primarily, among others, in establishing and operating information technology services and products.

On July 29, 2011, the Parent Company filed a Registration Statement covering the Offer Shares with SEC, in accordance with the provisions of the Securities Regulation Code (SRC).

The Parent Company filed its application with the Philippine Stock Exchange (PSE) for the listing of its Common Shares that are already issued and outstanding, as well as the Offer Shares on August 3, 2011. The Board of Directors (BOD) of the PSE approved the listing of the Common Shares on October 26, 2011.

On December 19, 2011, the Parent Company became publicly listed.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine Peso, which is also the Parent Company and its Subsidiary's functional currency.

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

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and SSI, collectively referred to as the Group, and are prepared for the same reporting year as the Parent Company, using consistent accounting policies. SSI is a wholly-owned subsidiary of the Parent Company.

All significant intra-group balances, transactions, and income and expenses resulting from intra-group transactions are eliminated in full in the consolidation.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. This is the first time that the Group presents consolidated financial statements.

SSI is consolidated from December 29, 2011, the acquisition date. Balances in the statement of financial position as of December 31, 2011 include the acquired assets and assumed liabilities of SSI while that of the comparative periods pertain only to the Parent Company. Balances in the statement of comprehensive income for the year ended December 31, 2011 and of the comparative periods pertain only to the Parent Company.

Changes in Accounting Policies and Disclosures
The Company has adopted the following amendment in Philippine Accounting Standards (PAS) which became effective beginning on or after January 1, 2011.

PAS 24, *Related Party Transactions (Amendment)*
PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

The issuance of and the amendments to the following PAS and Philippine Interpretations on International Financial Reporting Interpretations Committee (IFRIC) which became effective as of January 1, 2011 did not have any impact on the accounting policies, financial position or performance of the Group:

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*, effective for annual periods beginning on or after January 1, 2011
- Philippine Interpretation IFRIC-14 (Amendment) - *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after January 1, 2011

Improvements to PFRS
Improvements to PFRS, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC-13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Significant Accounting Policies

Cash and Cash Equivalents

Cash include cash in banks. Cash equivalents are short-term deposits with banks and other highly liquid financial instruments with original maturities of less than three months from dates of acquisition that are subject to an insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other liabilities carried at cost or amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

The Group had no financial assets and liabilities classified as FVPL, AFS investments and HTM investments as of March 31, 2013 and December 31, 2012.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

‘*Day 1*’*difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a ‘Day 1’ difference) in profit and loss under ‘Interest expense’. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit and loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the ‘Day 1’ difference amount.

Loans and receivables
Receivables, which represent ‘Cash and cash equivalents’, ‘Trade and other receivables’, ‘Due from related parties’, and investment in time deposit and rental deposits included under ‘Other current assets’, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading these assets. Loans and receivables are stated at amortized cost and are reduced by allowance for credit losses, if any. The estimated losses are based on management’s evaluation of collectibility of the loans and receivables and historical collection experience. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

1. the rights to receive cash flows from the asset have expired;
2. 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
3. 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 the risk and rewards of the asset but has transferred the control over 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 over 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
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 profit and loss.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the customer or a group of customers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the

estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables, the Group assesses whether objective evidence of impairment exists. If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (EIR) (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss is recognized in profit and loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. 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 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 profit and loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and the liability simultaneously.

Property and Equipment and Computer Software
Property and equipment and computer software are stated at cost less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment and computer software comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged against income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment and computer software beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

When assets are sold or retired, their cost and accumulated depreciation, amortization and impairment are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit and loss.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter between the lease terms taking into consideration the expected renewal of leases and the estimated useful lives of the improvements.

The estimated useful life of property and equipment and computer software follows:

Office furniture and fixtures	5 years
Transportation equipment	3 years
Office equipment	3 years
Leasehold improvements	5 years
Computer software	3 years

The useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment and computer software.

Business Combination

Business combination is accounted for using the acquisition method. The cost of an 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 Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. 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 the separation of embedded derivatives in host contracts by the acquiree. If the business 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 that is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill

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 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses (see accounting policy on Impairment of Nonfinancial Assets).

Impairment of Nonfinancial Assets

Property and equipment, Computer software, Noncurrent Assets Held for Sale

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the asset's recoverable amount.

Recoverable amount is the higher of an asset's fair value less cost 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 groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its 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.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said 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. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (CGU) (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the profit and loss. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its impairment test of goodwill annually.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. as renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above; and at the date of renewal or extension period for scenario (b).

Operating lease - Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit and loss on a straight-line basis over the lease term.

Foreign Currency Translation
For financial reporting purposes, foreign currency-denominated accounts are translated into their equivalents in Philippine pesos based on the Philippine Dealing System (PDS) closing rate at the end of the year (for assets and liabilities) and at the PDS weighted average rate for the year (for income and expenses). Foreign exchange differentials arising from foreign currency transactions and restatements of foreign currency-denominated assets and liabilities are credited to or charged against current operations in the period in which the rates change. 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.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group has assesses and concluded that it is acting as principal in all arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of software licenses
Revenue from the sale of software licenses are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods to customers and when the amount of revenue can be reliably measured.

Rendering of services
Revenue is recognized as services are rendered to customers. Also, when the selling price of a product includes an identifiable amount for subsequent servicing (e.g., after sales support and product enhancement on the sale of software), that amount is deferred and recognized as revenue over the period during which the service is performed. The amount deferred is that which will cover the expected costs of the services under the agreement, together with a reasonable profit on those services. Services include consultancy and training services.

Interest income
Interest income from cash and cash equivalents is recognized on a time proportion basis that takes into account the effective yield on the assets.

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Group include among others the operating expenses on the Group's operation. Expenses are recognized as incurred.

Retirement Benefits
As of December 31, 2011, the Group has an unfunded noncontributory defined benefit retirement plan, administered by trustees, covering substantially all of its permanent employees.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year.

The liability recognized in the consolidated statements of financial position in respect of defined benefit pension plans (see Note 15) is the present value of the defined benefit obligation at reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10.00% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in consolidated statements of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax
Deferred income tax is provided or recognized in full using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date except (a) where the deferred tax income asset or liability relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and (b) in respect of temporary differences associated with investments in subsidiaries and associates, deferred income tax is not provided or recognized where the timing of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) 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 carryforward of unused tax credits from 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 tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates applicable 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 reporting date.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off 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.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the input tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

<u>Common Stock</u>

Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as Additional paid-in capital in the consolidated statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

<u>Share Issuance Cost</u>

The transaction costs related to share issuance of the Group are accounted for as a deduction from 'Additional paid-in capital' (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

<u>Deficit</u>

Deficit represents cumulative earnings and losses earned and incurred by the Group less dividends declared, if any.

<u>Dividends on Common Stock</u>

Dividends on common shares are recognized as a liability and deducted from the equity when approved by the BOD, in the case of cash dividends; and the BOD and shareholders in the case of stock dividends.

The Group has sustained a negative bottom line results as of the current year interim reporting date augmenting to its existing deficit. The management intends future positive results of operations to be treated as recovery of cumulative losses prior to dividends declaration and payment.

Provisions

Provisions 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 assets embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities and Contingent Assets

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

There were no known economic conditions or trends to the Group leading to the recognition of contingent assets and contingent liabilities as of September 30, 2012 and December 31, 2011, respectively.

Earnings (Loss) Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

As of March 31, 2013, the Group does not have any dilutive potential common shares.

Events after the Reporting Period

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

Segment Reporting

The Group is organized into one reportable segment which is the information technology services and products market.

For management purposes, the Group is organized into one reportable segment which is the information technology services and products market. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon the analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the financial statements of the Group as a whole.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ”recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

PAS 12, *Income Taxes – Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model I Pas 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the new PFRS 10, *Consolidated Financial Statement* 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 separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 32, *Financial Instruments: Presentation* - *Offsetting Financial Assets and Financial liabilities*
These amendments to PAS 32 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. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

PFRS 7, *Financial Instruments: Disclosures* - *Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company’s financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing

involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

PFRS 7*, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These 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 to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

PFRS 9*, Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. 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 classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standard Interpretations Committee - 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled

entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the consolidated financial position of the Group. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 12, *Disclosure of Interests with Other Entities*
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

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, *Construction Contracts*, 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 (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

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3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and estimates that have significant risks of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

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

a) *Operating Lease*

   The Group has entered into lease commitment for its occupied offices. The Group has determined based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership on offices it leases.

b) *Determination of the Group's functional currency*

   Based on the economic substance of the underlying events and circumstances relevant to the Group, the functional currency of the Group has been determined to be Philippine peso. It is the currency that mainly influences the sale of goods and the costs of purchases and services, and is determined in accordance with the provisions of PAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Estimates

a) *Credit losses on trade and other receivables*

   The Group reviews its receivable portfolio to assess impairment annually based on the factors that affect the collectibility of the account. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for credit losses would increase the recorded operating expenses and decrease current assets.

   As of March 31, 2013 and December 31, 2012, allowance for credit losses on trade and other receivables amounted to ₱6 million. As of March 31, 2013 and December 31, 2012, the carrying value of trade and other receivables amounted to ₱55.31 million and ₱43.4 million, respectively.

b) *Recognition of deferred tax assets*

   The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces such assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred 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 tax assets to be utilized.

   Management believes that future benefits from temporary difference of ₱6.1 million as of December 31, 2012 may be realized. Correspondingly, deferred tax assets recognized as of March 31, 2013 amounts to P0.73 million.

c) *Impairment of property and equipment, computer software and goodwill*

The Group assesses impairment on 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 acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of March 31, 2013 and December 31, 2012, the carrying value of property and equipment amounted to ₱7.16 million and ₱5.93 million, respectively. As of March 31, 2013 and December 31, 2012, the carrying value of computer software amounted to ₱27.87 million and ₱28.12 million, respectively. As of March 31, 2013, the provisionary amount of goodwill amounted to ₱ 6.75 million. No impairment loss was recognized.

d) Retirement liability

The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

As of March 31, 2013, as discussed in Note 2, the Group has no formal retirement plan for its employees. The Group is yet communicating and undergoing selection process with possible retirement plan brokers. Accordingly, the employees of the Group are entitled only to the minimum retirement benefits provided under Republic Act (RA) 7641.

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4. Financial Risk Management Objectives and Policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

<u>Credit risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits to groups of clients and industry classification. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

As of March 31, 2013 and December 31, 2012, the carrying amounts of the financial assets represent the maximum exposure to credit risk.

The Group does not hold collateral as security or other credit enhancements to its trade receivables.

The Group did not have any significant concentration of credit risk with a single counterparty or group of counterparties, industry segments, or geographical locations as of March 31, 2013 and December 31, 2012. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The table below shows the credit quality of the Group's financial assets.

March 31, 2013

	Neither past due nor impaired		Past due but not impaired		
	High Grade	Standard		Impaired	**Total**
Cash and cash equivalents	P 64,471,217	P -	P -	P -	**P 64,471,217**
Short-term investments	40,000,000				**40,000,000**
Trade and other receivables	27,179,415	14,794,378	13,339,165	5,731,124	**61,044,083**
Bid and rental deposits	674,904	-	-	-	**674,904**
	P 132,325,536	P 14,794,378	P 13,339,165	P 5,731,124	**P 166,190,204**

December 31, 2012

	Neither past due nor impaired		Past due but not impaired		
	High Grade	Standard		Impaired	Total
Cash in banks and cash equivalents	P 69,047,677	P -	P -	P -	P 69,047,677
Short-term investments	40,000,000				40,000,000
Trade and other receivables	4,871,154	14,322,456	23,705,791	5,731,124	48,630,525
Bid and rental deposits	516,404	-	-	-	516,404
	P 114,435,235	P 14,322,456	P 23,705,791	P 5,731,124	P 158,194,606

As of March 31,2013 and December 31, 2011, financial assets classified under "neither past due nor impaired" pertains to high and standard grade credit quality instruments because there were few or no history of default on the agreed terms of the contract. "Past due but not impaired" accounts are receivables that are long outstanding but are collectible. "Impaired" are those that are long outstanding and have been fully provided with allowance for credit losses.

High grade financial assets represent cash deposited to top universal and commercial banks and receivables with high probability of collection because these pertain to receivables from key customers.

Standard grade are financial assets where collections are probable due to the reputation and the financial ability of the counterparty. This includes receivables from affiliated companies and employees.

Aging analysis of past due but not impaired financial assets of the Group follow:

March 31, 2013

	<30 days	31-60 days	61-90 days	91-180 days	>180 days	**Total**
Trade receivables	P 1,239,227	P 826,152	P 1,239,227	P 2,065,379	P 2,891,531	P 8,261,516
Nontrade receivables	-	-	-	1,269,412	3,808,237	5,077,649
	P 1,239,227	P 826,152	P 1,239,227	P 3,334,791	P 6,699,767	P 13,339,165

December 31, 2012

	<30 days	31-60 days	61-90 days	91-180 days	>180 days	**Total**
Trade receivables	P 5,867,829	P 6,371,211	P 602,884	P 10,863,867	P -	P 23,705,791
Nontrade receivables	-	-	-	-	-	-
	P 5,867,829	P 6,371,211	P 602,884	P 10,863,867	P -	P 23,705,791

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business.

As of March 31, 2013 and December 31, 2012, financial assets and liabilities of the Group are due within three months and 12 months, respectively from their respective reporting dates.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities as of March 31, 2013 and December 31, 2012.

March 31, 2013

	On demand	< 3 months	3 - 6 months	6 months - 1 year	> 1 year	**Total**
Financial Assets						
Cash in banks	P 64,471,217	P	P -	P	P -	**P 64,471,217**
Short-term placements			40,000,000			**40,000,000**
Trade and other receivables						
Trade receivables	8,261,516	33,046,064	-	-	-	**41,307,580**
Due from related parties	10,808,773	-	-	-	-	**10,808,773**
Nontrade receivables	-	-	9,185,606	-	-	**9,185,606**
Other current assets						
Bid deposits	-	-	-	-	280,000	**280,000**
Rental deposits	-	-	-	-	394,904	**394,904**
Noncurrent portion of other receivables	-	-	-	924,500	-	**924,500**
	P 83,541,506	P 33,046,064	P 49,185,606	P 924,500	P 674,904	**P 167,372,580**
Financial Liabilities						
Trade and other payables						
Due to related parties	P 45,353,314	P -	P -	P -	P -	**P 45,353,314**
Trade payables	1,313,635	1,839,090	2,101,817	-	-	**5,254,542**
Nontrade payables	4,094,404	526,016	601,162	16,180,372	-	**21,401,954**
	P 50,761,353	P 2,365,106	P 2,702,978	P 16,180,372	P -	**P 72,009,810**

December 31, 2012

	On demand	< 3 months	3 - 6 months	6 months - 1 year	> 1 year	**Total**
Financial Assets						
Cash in banks	P 69,047,677	P -	P -	P -	P -	P 69,047,677
Short-term placement			40,000,000			40,000,000
Trade and other receivables						
Trade receivables	5,933,575	24,343,479	-	-	-	30,277,054
Due from related parties	8,774,185	-	-	-	-	8,774,185
Nontrade receivables	10,080,568	-	-	-	-	10,080,568
Other current assets						
Bid deposits					100,000	100,000
Rental deposits					416,404	416,404
Noncurrent portion of other receivables					924,500	924,500
	P 93,836,004	P 24,343,479	P 40,000,000	P -	P 1,440,904	P 159,620,387
Financial Liabilities						
Trade and other payables						
Due to related parties	P 45,353,314	P -	P -	P -	P -	P 45,353,314
Nontrade payables	4,893,800	1,631,267	-	-	-	6,525,067
Trade payables	12,066,172	333,851	-	1,069,303	-	13,469,325
	P 62,313,286	P 1,965,117	P -	P 1,069,303	P -	P 65,347,706

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market changes. The Group's market risk originates from its holdings in its foreign denominated financial instruments.

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Group follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Group's exposure to fair value and cash flow interest rate risks is reduced to its minimal level since the Group has no financial assets and financial liabilities reported at fair value, and financial assets and liabilities with floating interest rates.

Foreign currency risk

The Group has transactional currency exposures, arising mainly from importation of licenses, which are denominated in currencies other than the Group's functional currency.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for the type of business in which the Group is engaged in.

As of March 31, 2013, the carrying amounts of the Group's foreign currency-denominated financial instruments are as follows: The exchange rate used was Php 40.89 to 1 USD$1 and Php 0.43 to JYP1.

	March 2013				December 2012			
		United States Dollar		**Japanese Yen**		United States Dollar		Japanese Yen
Financial Assets								
Cash on hand	**$**	**-**	**Y**	**144,227**	$	-	Y	130,991
Cash in banks		**8,102**		**-**		11,089		-
Trade receivables		**8,797**		**-**		14,843		-
Trade payables		**(63,199)**		**-**		(104,951)		-
Nontrade payables		**-**		**-**		(658)		-
Foreign currency exposure	**$**	**(46,300)**	**Y**	**144,227**	$	(79,678)	Y	130,991
Equivalent in Philippine Peso	**P**	**(1,893,207)**	**P**	**62,018**	P	(3,772,336)	P	62,018

The following table sets forth, the impact of changes in exchange rates on the Group's income after tax:

	March 2013				December 2013				
		United States Dollar		**Japanese Yen**		United States Dollar		Japanese Yen	
Increase by 5%	**P**	**(140,816)**	**P**	**2,170**	P	(25,236)	P	2,170	
Decrease by 5%	**P**	**140,816**	**P**	**(2,170)**	P	25,236	P	(2,170)	

There is no other impact on the Group's total comprehensive income other than those already affecting the profit and loss.

5. Fair Value Measurement

The carrying amounts of the Group's financial instruments approximate their fair values due to their short-term nature. Due from and to related parties are collectible and payable on demand.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2012 and December 31, 2011 the Group had no financial instruments reported at fair value within Levels 1, 2 and 3.

6. Reclassifications

As of March 31, 2013, the issuer does not intend to reclassify any of its financial assets and therefore, there is nothing that needs disclosure.

SIGNATURES

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

Issuer: **TOUCH SOLUTIONS, INC.**

ANSON T. UY
Chairman of the Board and President
Date: 5/20/13

JENNIFER O. TAN
Acting Chief Financial Officer
Date: 5/20/13