

**ISM COMMUNICATIONS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**

				December 31	
	<i>Note</i>	2006		2005*	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	4	P2,374,364		P187,368,675	
Other current assets	5	393,696		21,243,817	
<b>Total Current Assets</b>		<b>2,768,060</b>		208,612,492	
<b>Noncurrent Assets</b>					
Investment in an associate	6	892,905,026		-	
Property and equipment - net	7	22,121		24,825	
<b>Total Noncurrent Assets</b>		<b>892,927,147</b>		24,825	
		<b>P895,695,207</b>		P208,637,317	
 <b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses		P11,003,126		P759,572	
<b>Noncurrent Liabilities</b>					
Advances from prospective investment partners	14	-		209,125,078	
Advances from a stockholder	8	-		1,240,835	
Deferred tax liability	11	340,819		-	
<b>Total Noncurrent Liabilities</b>		<b>340,819</b>		210,365,913	
<b>Total Liabilities</b>		<b>11,343,945</b>		211,125,485	
<b>Equity (Capital Deficiency)</b>					
Capital stock	9	641,275,350		209,999,317	
Additional paid-in capital		276,375		276,375	
Retained earnings (deficit)		242,922,384		(212,641,013)	
Treasury stock		(122,847)		(122,847)	
<b>Total Equity (Capital Deficiency)</b>		<b>884,351,262</b>		(2,488,168)	
		<b>P895,695,207</b>		P208,637,317	

\* Parent Company only, See Note 1.

See Notes to the Consolidated Financial Statements.

**ISM COMMUNICATIONS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2006</b>	<b>2005*</b>	<b>2004*</b>
<b>INTEREST INCOME</b>		<b>P2,240,924</b>	P3,087,268	P2,447,101
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<i>10</i>	<b>17,055,070</b>	8,287,802	6,700,508
<b>LOSS FROM OPERATIONS</b>		<b>(14,814,146)</b>	(5,200,534)	(4,253,407)
<b>OTHER INCOME (EXPENSES)</b>				
<b>Other Income</b>	<i>5</i>	<b>697,894,348</b>	-	-
<b>Impairment Loss on Investment</b>	<i>6</i>	<b>(241,990,355)</b>	-	-
<b>Equity in Net Income of Associate</b>		<b>9,271,671</b>	-	-
<b>Foreign Exchange Gain (Loss)</b>		<b>5,635,941</b>	(8,200,356)	366,487
		<b>470,811,605</b>	(8,200,356)	366,487
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX</b>		<b>455,997,459</b>	(13,400,890)	(3,886,920)
<b>PROVISION FOR INCOME TAX</b>	<i>11</i>	<b>434,062</b>	16,450	-
<b>NET INCOME (LOSS)</b>		<b>P455,563,397</b>	(P13,417,340)	(P3,886,920)
<b>EARNINGS (LOSS) PER SHARE</b>				
<b>Basic and Diluted</b>	<i>12</i>	<b>P0.01433</b>	(P0.00045)	(P0.00013)

\* Parent Company only, See Note 1.

See Notes to the Consolidated Financial Statements.

**ISM COMMUNICATIONS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(CAPITAL DEFICIENCY)**

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2006</b>	2005*	2004*
<b>CAPITAL STOCK</b>				
Par value - P0.01				
Authorized -				
1,200,000,000,000 shares in				
2006 and 30,000,000,000				
shares in 2005				
Issued - 64,127,535,010 shares				
in 2006 and 20,999,931,710				
shares in 2005				
Subscribed - 9,000,068,290				
shares (net of subscriptions				
receivable of P90,000,683)				
Balance at beginning of year	9	<b>P209,999,317</b>	P209,999,317	P209,999,317
Issuances during the year	9	<b>431,276,033</b>	-	-
		<b>641,275,350</b>	209,999,317	209,999,317
<b>ADDITIONAL PAID-IN</b>				
<b>CAPITAL</b>				
		<b>276,375</b>	276,375	276,375
<b>RETAINED EARNINGS</b>				
<b>(DEFICIT)</b>				
Balance at beginning of year		<b>(212,641,013)</b>	(199,223,673)	(195,336,753)
Net income (loss) for the year		<b>455,563,397</b>	(13,417,340)	(3,886,920)
		<b>242,922,384</b>	(212,641,013)	(199,223,673)
<b>TREASURY STOCK -</b>				
5,115,990 shares, at cost				
		<b>(122,847)</b>	(122,847)	(122,847)
		<b>P884,351,262</b>	(P2,488,168)	P10,929,172

\* Parent Company only, See Note 1.

See Notes to the Consolidated Financial Statements.

**ISM COMMUNICATIONS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>Years Ended December 31</b>				
	<i>Note</i>	<b>2006</b>	<b>2005*</b>	<b>2004*</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before provision for income tax		<b>P455,997,459</b>	(P13,400,890)	(P3,886,920)
Adjustments for:				
Equity in net income of associate	6	<b>(9,271,671)</b>	-	-
Depreciation	7, 10	<b>18,150</b>	17,377	17,377
Negative goodwill	5	<b>(697,894,348)</b>	-	-
Impairment loss on investment		<b>241,990,355</b>	-	-
Foreign exchange loss (gain)		<b>(5,635,941)</b>	8,200,356	(366,487)
Interest income		<b>(2,240,924)</b>	(3,087,268)	(2,447,101)
Operating loss before working capital changes:		<b>(17,036,920)</b>	(8,270,425)	(6,683,131)
Increase (decrease) in accounts payable and accrued expenses		<b>663,246</b>	(656,649)	210,647
Cash absorbed by operations		<b>(16,373,674)</b>	(8,927,074)	(6,472,484)
Interest received		<b>2,240,924</b>	2,888,708	2,447,101
Net cash used in operating activities		<b>(14,132,750)</b>	(6,038,366)	(4,025,383)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of:				
Property and equipment	7	<b>(15,446)</b>	-	-
Investment and advances to a subsidiary (net of cash acquired)	5	<b>(427,729,362)</b>	-	-
Decrease (increase) in other Current assets	5	<b>20,850,121</b>	(20,911,112)	(56,823)
Net cash used in investing activities		<b>(406,894,687)</b>	(20,911,112)	(56,823)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances received from prospective investment partners	14	<b>239,921,187</b>	183,484,650	-
Increase (decrease) in advances from a stockholder	8	<b>(1,240,835)</b>	11,358,087	(10,137,225)
Net cash provided by (used in) financing activities		<b>238,680,352</b>	194,842,737	(10,137,225)

*Forward*