C O V E R   S H E E T

A	1	9	9	6	0	0	1	7	9

COMPANY NAME

NOW CORPORATION

PAL (No. / Street / Barangay / City / Town / Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
20-IS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	(632) 750-0461 / (632) 750-0211 / (632) 750-0224	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
44	06/01	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Angeline L. Macasaet	angeline.macasaet@nowcorp.com	(632) 750-0211	N/A

CONTACT PERSON's ADDRESS

Unit 5-I, 5th Floor, OPL Building 100 C. Palanca Street cor. Dela Rosa Streets, Legaspi Village, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [**X**] Definitive Information Statement

2. Name of Registrant as specified in its charter **NOW CORPORATION**

3. **METRO MANILA, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A199600179**

5. BIR Tax Identification Code **004-668-224**

6. **Unit 5-I, 5th Floor, OPL Building,100 C. Palanca corner Dela Rosa and Gil Streets, Legaspi Village, Makati City, Philippines**
   Address of principal office Postal Code **1229**

7. Registrant's telephone number, including area code **+632 750-0211; 750-0461**

8. Date, time and place of the meeting of the security holders

   01 June 2017; 10:00 am at Sixth Floor, 2244 España Boulevard, Sampaloc, City of Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders **08 May 2017**

10. In case of Proxy Solicitations: **Not Applicable**

    Name of Person Filing the Statement/Solicitor: ____________________

    Address and Telephone No.: ____________________

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON STOCK	**1,517,278,350**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes **X** No ______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Annual Stockholders' meeting of NOW Corporation (the "Company") will be held at 10:00 am on 01 June 2017, at the Sixth Floor, 2244 España Boulevard, Sampaloc, City of Manila. The Record Date for the Annual Stockholders' meeting is set on 08 May 2017.

The complete mailing address of the Company is Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca Street corner Dela Rosa and Gil Streets, Legaspi Village, Makati City 1229.

The approximate date when this information statement is first to be sent to the Company's stockholders is 08 May 2017.

Item 2. Dissenters' Right of Appraisal

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

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Number of Common Shares Outstanding as of 08 May 2017: 1,517,278,350 shares.

b. As of 08 May 2017, there are 474,882,841 common shares owned by foreigners, or 31.30%.

c. Stockholders of record of the Company as of 08 May 2017 shall be entitled to notice of, and to vote at the Annual Stockholders' Meeting, on a one-share-one vote basis. No director has cumulative voting rights. No discretionary authority for solicitation of cumulative voting may be exercised.

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

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

i. Security Ownership of Certain Record and Beneficial Owners (More than 5% as of March 31, 2017)

Title of class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	PDC Nominee Corp. – Filipino	Direct	Filipino	485,300,985	31.9850
Common	Top Mega Enterprises Limited 11/F Fortune House 61 Connaught Road Central, Hong Kong	Direct	Chinese	367,935,951	24.2497
Common	Emerald Investments, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	209,395,185	13.8007
Common	Velarde, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	200,571,550	13.2192

Common	Foodcamp Industries & Marketing, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	91,726 ,643	6.0455
Common	Joyce Link Holdings, Limited 11/F Fortune House 61 Connaught Road Central, Hong Kong	Direct	British VI	86,458,552	5.6983
Common	Gamboa Holdings, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	75,429,216	4.97

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

Gamboa Holdings, Inc. -- Mel V. Velarde
Emerald Investments, Inc. -- Jose S. Alejandro
Foodcamp Industries & Marketing, Inc. -- Elena H. Dimailig Top
Mega Enterprises, Limited -- Romeo C. Escobar, Jr.
Joyce Link Holdings, Limited -- Kristian Noel A. Pura
Velarde, Inc. -- Jonah Kasthen V. Rosero

ii. Security Ownership of Directors and Management as of 31 March 2017:

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

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent of class**
Common	Thomas G. Aquino	1 (Direct)	Filipino	<.01
Common	Mel V. Velarde	10 (Direct)	Filipino	<.01
Common	Jose S. Alejandro	10 (Direct)	Filipino	<.01
Common	Vicente Martin W. Araneta III	1 ((Direct)	Filipino	<.01
Common	Gerard Bnn R. Bautista	1 (Direct)	Filipino	<.01
Common	Marlou B. Ubano	1 (Direct)	Filipino	<.01
Common	Ramon Guillermo R. Tuazon	1 (Direct)	Filipino	<.01
Common	Jan-Olov Conny Dolonius	1 (Direct)	Swedish	<.01
Common	Winnita Velarde Ysog	1 (Direct)	Filipino	<.01
Common	Domingo B. Bonifacio	1 (Direct)	American	<.01
Common	Angeline L. Macasaet	1 (Direct)	Filipino	<.01
	D. Enrique Co (Ext Legal Counsel)	0	Filipino	0
	Vicente I. Penanueva (CFO)	0	Filipino	0

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

iii. Voting Trust Holders of 5% or More

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

iv. Changes in Control

There are no arrangements which may result in a change in control of the Company.

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

Item 5. Directors and Executive Officers

a. Information required of Directors and Executive Officers

i. Directors and Officers

Thomas G. Aquino, *age 68, Filipino, Chairman of the Board of Directors***.** He is a Senior Fellow at the Center for Research and Communication, a multidisciplinary policy group of the University of Asia and the Pacific (UA&P). He is currently the President of NOW Telecom Company, Inc. (formerly Next Mobile, Inc.). He is also a member of the Board of Directors of Philippines National Construction Corporation, Zamboanga Development and Management Corporation, and iCollege of the Philippines, Inc. Dr. Aquino served as Senior Undersecretary of the Philippine Department of Trade and Industry and supervised the country's international trade promotion, trade negotiations under the World Trade Organization (WTO) and the ASEAN Free Trade Area (AFTA), as well as bilateral trade talks with the country's major economic trading partners. He also served as overall lead country negotiator for the Philippines in the Japan-Philippines Economic Partnership Agreement and was country representative to the High Level Task Force on Asean Economic Integration.
For his government service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was a recipient of the Gawad Mabini Award with the rank of Grand Cross (or Kamanong) for distinguished service to the country both at home and abroad. Dr. Aquino obtained a Doctorate in Business Administration in 1980 from the IESE Business School University of Navarre in Spain, an MS in Industrial Economics in 1972 from the University of Asia and the Pacific, and an AB in Economics in 1970 from the School of Economics of the University of the Philippines.

Mel V. Velarde, *age 53, Filipino, President and Member of the Board of Directors,* was elected ViceChairman of the Company's Board of Directors on June 2, 2006 and served as such until March 22, 2007 when he was elected as Chairman of the Board of Directors. On January 21, 2008, he resigned his chairmanship and was again elected as Vice Chairman of the Board until June 2, 2011. He was elected as President of the Company on June 13. 2011. Mr. Velarde is the Vice-Chairman and the Chairman of the Executive Committee of NOW Telecom Company Inc. (formerly Next Mobile, Inc.), and Chairman and President of The Velarde Group, Inc., and its affiliates. He served as Philippine Commissioner to the United Nations Educational, Scientific and Cultural Organizations (UNESCO) and Chairperson of the Committee on Science and Technology. Mr. Velarde has built a career in broadcasting, cable TV, telecommunications and information communications technology. He was former Executive Vice President and General Manager of Sky Cable, a cable TV company that became the largest in the Philippines. Mr. Velarde pursued his masteral studies in Business Economics at the University of Asia and the Pacific, and has taken Strategic Planning, Marketing and Finance at the Asian Institute of Management and at the University of Michigan. He completed the Owner/President Management Program at the Harvard Business School, Harvard University, Cambridge, Massachusetts.

Jose S. Alejandro, *age 82, Filipino, Director,* served as Chairman of the Board of Directors of the Company on June 2, 2006 until March 22, 2007 when he resigned from said position and was elected as the Company's President. He served as President until January 21, 2008. Mr. Alejandro has also been a Member of the Board of Directors of NOW Telecom Company, Inc. (formerly Next Mobile, Inc.) since 1989 and he now serves as the Board's Chairman. He is a business and management professional and leader with over 25 years of corporate experience. He was the former President and CEO of East Asia Power Resources, a local publicly-listed independent power producer during the period of local economic crisis (1997-1999), Country Manager for the Power Systems Business of General Electric Co. (1987-1995), and Vice President - Marketing at GE Philippines, Inc. and General Manager of GE Appliance Co. In these capacities, he led the growth and success of this leading U.S. global diversified corporation in the Philippines. He holds a Bachelor of Arts and Bachelor of Law degrees from the Ateneo de Manila University and had taken post graduate courses leading to Master in Business Administration in the same school and Business Policies, Manpower and Marketing Strategies at the GE Management Institute in NY, USA. He is a member of the Philippine Bar.

Vicente Martin W. Araneta III, *age 53, Filipino, Director* He also serves as Director and President of Facilities, Inc. and as Chairman of Real Properties, Inc., the holding company of Facilities, Inc. and owner of the Palladium Subdivision. He is also a member of the Board of Directors and Chief Financial Officer of ActivAsia, Inc., a 360-degree marketing services company specializing in Out-of-Home, events, point-of-sale and channel activation, tourism marketing, sports marketing and creative services. He is an incorporator, founding member, Treasurer and Director of the Philippine Chamber of Commerce and Industry – Pasig City, Inc.. He serves as director and chief financial officer of Algo-Rhythm Communications, Inc., Arribadigital, Inc. and ActivCare Home Health Solutions, Inc. He is currently the chief financial officer of Awesome Lab, Inc.. He is also a member (on-leave) of the Management Association of the Philippines and of the Chamber of Real Estate and Builders Associations, Inc. Mr. Araneta is a member of the Ateneo Alumni Association, Inc. and served as a member of its Board of Directors for the period 2005-2007 and 2009-2012. He is also the President of Ateneo, Inc. and a member since 2011 of the Philippine Association of Congress Exhibitors/ Organizers & Suppliers, Inc. (PACEOS). He is the incorporator of the Mandaluyong Business Foundation. Mr. Araneta also served as Director for the period 2004 to 2005 of the Philippine Science High School Foundation.

Gerard Bnn R. Bautista, *age 53 Filipino, Director,* is also currently the Chairman of the University of Baguio Foundation. He is a partner in BNN Bautista Associates, an Architecture & Planning firm established in 1969, and the President of Eduplan Philippines, Inc., a leading educational pre-need insurance company. He is a Charter Member of the Rotary Club of Makati, Greenbelt. He is also currently a member of various associations, namely, the Harvard Architectural and Urban Society, the Harvard Club of the Phils., the Harvard Alumni Alliance for the Environment, the Harvard Alumni Entrepreneurs, the Philippine Jaycees Senate, Rockwell Club, the Porsche Club of the Philippines, and the Rockwell Club, Baguio Country Club. He served as President of the Makati Jaycees. He obtained his Bachelor of Science in Architecture in the University of the Philippines. In 1987, he obtained post graduate studies in Information Technology for Architects in the Ateneo de Manila University. In 2002, he obtained post graduate studies in Financial Forecasting in the Center for Research and Communications in Mandaluyong. Likewise, in 2002, he obtained post graduate studies in Finance for Senior Executives in the Asian Institute of Management in Makati City. He also obtained post graduate studies in Actual Planning and in School Planning and Design in Harvard University in Cambridge, Massachusetts.

Marlou Buenafe Ubano, *44 years old, Filipino, Independent Director,* has been in practice of law for fifteen years. He is the Founding Partner of the Ubano Sianghio & Lozada Law Offices which was established in June 2002. He is currently a Governor of Integrated Bar of the Philippines – Western Visayas Region. He served as Assistant Secretary for Legal Affairs of the Philippine Department of Transportation and Communications from 2011 to 2013. He was the Commissioner of the Commission on Bar Discipline, Integrated Bar of the Philippines from 2005 to 2007. He also served as President of the Integrated Bar of the Philippines - Capiz Chapter from 2007 to 2009 and again in 2011, and as Deputy Governor of the Integrated Bar of the Philippines – Western Visayas Region from 2011 to 2013. Atty. Ubano was awarded the Presidential

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

Ramon Guillermo R. Tuazon, *age 58, Filipino, Director,* is also the president of the Asian Institute of Journalism and Communication (AIJC) and secretary general of Asian Media Information and Communication Centre (AMIC). Mr. Tuazon is chairman of the Philippines Commission on Higher Education (CHED) Technical Committee for Communication (TCC) and member of the CHED Technical Panel for Social Sciences and Communication. He is also a member of the CHED NCR Regional Quality Assurance Team (RQAT). He has served UNESCO in various capacities including Media Development Specialist for UNESCO Myanmar (November 2012- January 2014). Mr. Tuazon served as consultant/team leader to over 30 public information and communication programs and projects. He also participated in 15 international and about 40 national research projects in diverse areas such as mass media, communication, formal and nonformal education, literacy, children's rights, judicial reform and rule of law, etc. He has provided research and consultancy services in other countries including Maldives, Lao PDR, Myanmar, Bhutan, Indonesia, and France. He has co-authored six books, co-edited 15 books/monographs, written over 10 handbooks/ modules, published numerous articles in international and national books, journals, and monographs. Mr. Tuazon completed his Master in Communication Management from the AIJC and Bachelor of Science in Commerce from University of Santo Tomas where he also took graduate work in advertising.

Jan-Olov Conny Dolonius, *age 68, Swedish, Director*, was elected member of the Board of Directors of the Company on 05 August 2016. He joined Sweden's second biggest construction company ABV after graduating from Lunds University in Sweden 1974. He was administration manager of several construction projects in East Europe. In 1978, he joined Sweden's second biggest bank, Svenska Handels Banken, SHB as managing director for SHB's subsidiary in Sao Paolo Brazil. In.1982, he moved to Singapore to start Svenska Handelsbanken Asia, a wholly-owned subsidiary of SHB. In 1992, he left the bank and worked for a year as financial consultant to a mobile telephone company in Indonesia. In 1993, he joined International Wireless Company, IWC, in San Francisco USA as partner. IWC invested in and managed up start mobile telephone companies. In 2001, he participated in a management buy-out of Nextel Philippines. In 2004, he joined Focus Equity as partner and Finance Director. Focus Equity was active in the high security sector (bank notes and passports).

Winnita V. Ysog, *age 52*, *Filipino, Director*, was elected as member of the Board of Directors on 02 September 2016. She served as Marketing Manager of Wizard Academy, a school which offered preparatory education. She also served as Managing Director of Altimax Broadcasting, Inc. In 2004, she served as ViceChairman of the Executive Committee and Vice-President of the Human Resource and Quality Administration of Next Mobile, Inc. In 2009, she ventured into the beauty and wellness business and set-up Vanilla Spice. She is the President of Jonahs and Seths Holdings, Inc. She obtained her Bachelor of Science, Major in
Tourism degree from the University of the Philippines, Diliman, where she received an award of Proficiency in French. She also obtained her Masters in Management from the Asian Institute of Management, Makati City. She is now the owner and founder of Mabuhay Ako - Bag of Life 360 and currently, the President of Rotary Club of Kamuning East, Rotary International District 3780.

Domingo B. Bonifacio*, age 63, American, Independent Director,* was elected as Independent Director on 20 January 2017. He is currently the Executive Vice President & General Manager of Automated Technology (Phil) Inc. (ATEC) Connectivity Division. From 2014-2015, he was President of Cirtek Advanced Technologies and Solutions, Inc. From 2005-2014, he served as President and CEO of REMEC Broadband Wireless International, Inc. and from 2005-2014, was the President and CEO of REMEC Manufacturing Philippines, Inc. He obtained his B.S. Electronics and Communications degree from the University of Santo

Tomas and passed the Electronics and Communication Engineering Licensure Examination in 1977. He continued his education in 1978-1979 by enrolling in the University of California, Berkley, CA.

Lucas C. Carpio, Jr., 69, Filipino, *packs more than 40 years' experience in law practice, honed in fora as varied as the Supreme Court and the Court of Appeals, the Regional, City and Municipal Trial Courts and quasi-administrative bodies like the Office of the Ombudsman. He hails from Paoay, Ilocos Norte and comes after all from a family of lawyers. Jun, as he is fondly called, obtained his Bachelor of Arts degree from La Salle Manila in 1969, and his Bachelor of Laws degree from the Ateneo de Davao University in 1975. After passing the bar in 1976, he joined the National Prosecution Service as a Prosecutor in Davao City in 1976. Four years later, he shifted to private practice. In 1984, he and his family moved from Davao to Manila, where he joined Security Bank and Trust Co as in-house counsel of its head office in Makati. In1993, he joined the firm Yulo Quisumbing Torres Ali and Bello, the predecessor of what is now the Carpio & Bello Law Offices of which he is a name partner.*

Angeline L. Macasaet, *age 44, Filipino, Director,* is a member of the Philippine Bar. She is also currently the Corporate Secretary, Chief Information Officer and Compliance Officer of the Company. She is also the Corporate Secretary of the various companies under the Velarde Group such as Velarde, Inc., Gamboa Holdings, Inc., Foodcamp Industries and Marketing, Inc., Emerald Investments, Inc., as well as enfranchised companies such as NOW Telecom Company, Inc., GHT Network, Inc., News and Entertainment Network, Inc., among many others. She ensures the compliance of these companies with all regulatory requirements as well as the legal requirements involving specific transactions. Her extensive engagement involves all forms of litigation and in all fora. She also has extensive practice in the Securities and Exchange Commission, Philippine Stock Exchange, and the National Telecommunications Commission. In addition to litigation, Ms. Macasaet has corporate practice all the way to the more complex engagements of management buy-outs, corporate mergers and share swap.

Vicente I. Peñanueva, *age 52, Filipino, Chief Finance Officer.* He was elected by the Company's Board of Directors as Acting Chief Financial Officer on March 12, 2014. Mr. Peñanueva brings to the company more than 27 years of experience in Corporate Finance, Controllership, Audit and Accounting. Before he joined the Company, he was the Finance and Accounting Manager of Aruze Global Shared Services and was In-charge of Corporate Accounting and Reporting of 7 companies. From 2012 to 2013, he was the Accounting Manager of Century Peak Metals Holding Corporation, also a publicly-listed company. He was the Accounting Manager of Great Image Services Corporation from 2011 to 2012 and was also Senior Accounting Manager of Universal Leaf Philippines, Inc. for 14 years. Mr. Peñanueva is a Certified Public Accountant. He graduated from Ateneo de Davao University in 1985.

D. Enrique O. Co, age 46, Filipino, Legal Counsel, is the Legal Counsel of the Company from January 2002 up to the present. He also served as the Corporate Secretary of the Company from 10 June 2004 until 30 August 2005 and from 1 November 2006 up to 21 January 2008. He is currently serving as Director and/or Corporate Secretary of several Philippine corporations. He is also the Managing Partner of Co Ferrer & Ang-Co Law Offices and an Associate Professorial Lecturer at Kalayaan College. Atty. Co obtained his BS Business Administration (*cum laude*) and Law Degrees from the University of the Philippines.

Nominations to the Board

There will be a regular election of directors and officers for the year 2017 to 2018. The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualification under Sec. 2.2.2.1 of the Manual on Corporate Governance.

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

Nomination Committee

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

Vicente Martin W. Araneta III - Chairman
Jose S. Alejandro - Member
Marlou B. Ubano - Member (Independent Director)

Mr. Mel V. Velarde, President and CEO of the Company, will nominate the candidates for independent directors. None of the Company's directors and executive officers is related up to the fourth civil degree of consanguinity or affinity, except for Mr. Mel V. Velarde, President and Chief Executive Officer, whose sibling, Ms. Winnita V. Ysog was elected as a regular director during the 02 September 2016 special meeting of the Board of Directors. The term of office of elected directors will be one (1) year.

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

Thomas G. Aquino
Jose S. Alejandro

Mel V. Velarde
Vicente Martin W. Araneta III
Gerard Bnn R. Bautista
Ramon Guillermo R. Tuazon
Winnita V. Ysog
Angeline L. Macasaet

The following will be nominated for re-election as Independent Directors for the ensuing year:

Marlou B. Ubano   Domingo B. Bonifacio   Lucas C. Carpio, Jr.

Officers

Thomas G. Aquino, Chairman of the Board (See above)
Jose S. Alejandro, Vice Chairman (See above)
Mel V. Velarde, President and CEO (See above)
Angeline L. Macasaet, Corporate Secretary (See above)
Vicente I. Peñanueva, Chief Finance Officer (See above)

ii. Involvement in Certain Legal Proceedings of Directors and Officers

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

iii. Identity of Significant Employees

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

iv. Family Relationship

None of the Directors, Advisors and Executive Officers is related up to the fourth civil degree of consanguinity or affinity, except for Mel V. Velarde whose sibling Winnita V. Rosero is being nominated as regular director for the ensuing year.

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

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

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

On 12 January 2017, the IPO dismissed the opposition. As of the date of the preparation of this report, no Appeal has been filed with the IPO by the Oppositor.

Except for the opposition filed by Starbucks (HK) Limited against the application for trademark registration of a variation of the mark NOWPLANET.TV, there are no other legal proceedings against the Company.

b. Certain Relationships and Related Transactions (See Note 9 of 2016 Consolidated Financial Statements)

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

Related parties	Category	Year	Revenues	Cost of sales and services	General and administrative expenses
Velarde Inc.	**Management Fee**	**2016**	**P=240,000**	**P=–**	**P=–**
		2015	240,000	–	–
		2014	240,000	–	–
	Interest	**2016**	**–**	**–**	**–**
		2015	–	–	–
		2014	–	–	17,756,021
NOW Telecom	**Services**	**2016**	**7,500,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
	Cost of data services	**2016**	**–**	**779,715**	**–**
		2015	–	–	–
		2014	–	–	–
Newsnet	**Services**	**2016**	**15,450,000**	**–**	**–**
		2015	–	–	–

		2014	–	–	–
	Cost of data services	**2016**	**–**	**1,696,912**	**–**
		2015	–	–	–
		2014	–	–	–
GHT	**Services**	**2016**	**15,450,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
IBI	**Interest**	**2016**	**467,033**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
KPSC	**Outside services**	**2016**	**–**	**43,226,619**	**7,489,693**
		2015	–	40,054,599	6,602,192
		2014	–	41,662,334	3,134,421
Softweb	**Sales**	**2016**	**5,412,232**	**–**	**–**
		2015	12,088,054	–	–
		2014	2,792,846	–	–
	Management fee	**2016**	**–**	**–**	**–**
		2015	–	–	–
Related parties	**Category**	**Year**	**Revenues**	**Cost of sales and services**	**General and administrative expenses**
		2014	4,800,000	–	–
I-College	**Lease**	**2016**	**–**	**–**	**930,313**
		2015	–	–	930,313
		2014	–	–	930,313
		2016	**P=44,519,265**	**P=45,703,246**	**P=8,420,006**
		2015	P=12,328,054	P=40,054,599	P=7,532,505
		2014	P=7,832,846	P=41,662,334	P=21,820,755

The Group entered into transactions with related parties, principally consisting of the following:

a. The Parent Company grants interest-free advances to NOW Telecom for working capital and administrative requirements. Amounts owed by NOW Telecom as of December 31, 2016, 2015 and 2014 amounted to P=51,346,501, P=31,408,455 and P=23,720,567, respectively.

b. On August 30, 2005, the Parent Company entered into a Loan Agreement with IBI for research and development purposes in connection with IBI's plan to expand its IT platform and introduce ITrelated 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 further 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. On August 31, 2015, both parties agreed to extend the maturity of the loan to five (5) years ending August 30, 2020. Interest was retained at 3% per annum. Interest income amounted to P= 467,033 in 2016, 2015 and 2014 reflected as part of "Others" in revenue. As of December 31, 2016, 2015 and 2014, amounts owed by IBI, including interest, amounted P=27,030,711, P=26,563,678 and P=26,096,645, respectively. IBI is an entity under common control.

c. As of December 31, 2016, 2015 and 2014 the Group has outstanding liabilities to Emerald Investment, Inc. (EII) amounting to P=2,902,918 which arose from the Group's sub-lease agreement with EII that ended in 2011.

   Amounts owed by EII as of December 31, 2016, 2015 and 2014 is P=40,848.

d. On January 1, 2013, the Parent Company renewed its service agreement with KPSC for a period of four (4) years beginning January 1, 2013 to December 31, 2016. On January 3, 2017, the Parent Company renewed its service agreement with KPSC for a period of five (5) years beginning January 3, 2017 to January 2, 2022.

   Under the service agreement, KPSC shall provide consultancy and manpower services depending on the services specifically required by the Group. Amounts owed to KPSC, in relation to the service agreement, amounted to P=15,450,244, P=19,719,161 and P=26,207,689 as of December 31, 2016, 2015 and 2014, respectively.

   The Group's administrative and management functions, including key management personnel, are being handled by personnel of KPSC.

   Outside services incurred by the Group for the provision of key management personnel services that are provided by KPSC amounted to P=6,176,177, P=6,858,809, and P=5,829,249 in 2016, 2015 and 2014, respectively.

   On January 31, 2017, both parties mutually agreed to terminate the service agreement following the change in the business operation of the Group.

e. Due 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.

   On January 22, 2015, Velarde, Inc. agreed to convert its advances amounting to P=200,000,000 into equity interest in the Parent Company for 200,000,000 common shares with a par value of P=1. It was further agreed that the remaining balances and subsequent advances from Velarde, Inc. shall no longer be subject to interest and shall be due on demand (see Note 12).

Interest expense booked as an additional amounts owed to related party amounted to nil in 2016 and 2015 and P=17,756,021 in 2014.

On April 29, 2016, the Parent Company's BOD approved the conversion into equity of the advances from Velarde, Inc. amounting to P=264,000,000 at a conversion price of P=1.22 per share computed on the volume-weighted average price of the Parent Company's shares for a 30-day trading period ended April 14, 2016. On June 2, 2016, the stockholders of the Parent Company approved the said increase in the Parent Company's authorized capital stock.

On June 20, 2016, additional advances were incurred from Velarde, Inc, through the latter's payment of the loans payable to bank on behalf of the Parent Company amounting to P=44,500,000 (see Note 11).

Outstanding accrued interest presented as part of the "Accounts payable and accrued expenses" amounted to P=59,903,586 as of December 31, 2016, 2015 and 2014 (see Note 8).
Due to Velarde, Inc. presented as part of "Due to related parties" amounted to P=68,322,816, P=223,458,035 and P=394,167,083 as of December 31, 2016, 2015 and 2014, respectively.

f. The Group charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees charged to Softweb amounted to nil in both 2016 and 2015, and P=4,800,000 in 2014 reflected as part of "Others" in revenue. Payments are due within 5 days upon receipt of invoice. Management fees charged to Velarde, Inc. amounted to P=240,000 in 2016, 2015 and 2014 reflected as part of "Others" in revenue.

   The Group has outstanding trade receivables to Velarde, Inc. amounting to P=1,440,000, P=1,200,000 and P=960,000 as of December 31, 2016, 2015 and 2014, respectively.

g. The Group entered into a non-interest bearing loan agreement with Porteon Electric Vehicles, Inc. (Porteon). As of December 31, 2016, 2015 and 2014, the outstanding amount due from Porteon Electric Vehicles, Inc. amounted to P=2,160,300 which is due on demand.

h. On January 1, 2011, the Group entered into a sublease contract with I-College Philippines, Inc. (ICollege) for the period November 1, 2011 to May 31, 2012 with a monthly rental fee of P=77,526. The term of the lease can be renewed upon mutual consent of both parties. The most recent renewal of this sublease agreement is for a period of three (3) years from November 1, 2014 to October 31, 2017. All other terms and conditions of the sublease agreement dated January 1, 2011 remain in full force.

   Rent expense incurred by the Group amounted to P=930,313 in 2016, 2015 and 2014. In connection with this, the related due to I-College amounted to P=4,806,612, P=3,876,300 and P=2,945,987 as of December 31, 2016, 2015 and 2014, respectively.

i. The Group sells IBM licenses to Softweb, an associate. Sales of IBM license to Softweb amounted to P=5,412,232, P=12,088,054 and P=2,792,846 in 2016, 2015 and 2014.

j. The Group entered into agreements with Thumbmob, Holy Cow and Softweb for the subscription of their respective shares. Please see Note 6 for detailed discussion.

k. In January 2015, the Parent Company entered into two separate one (1) year service agreements with GHT Network, Inc. (GHT) and News and Entertainment Network, Inc. (Newsnet) to provide bandwidth services to its customers. The Parent Company provided the infrastructure build-up and technology design and consultancy. Service revenue from GHT and Newsnet amounted to P=10,000,000 each in 2015 reflected as part of "Service fees" in revenue.

l. Infrastructure build-up and technical services

In 2016, the Group entered into contracts with GHT, Newsnet and NOW Telecom whereas the Group will provide project management services, design and planning services and installation services covering up to 10 major network hubs for a total contract price of P=45,000,000 each. Right to receive payments arise upon acceptance of GHT, Newsnet and NOW Telecom of completed hubs. Payments are due upon receipt of invoice. Total of six hubs were completed for GHT and Newsnet in 2016. Service revenue recognized in 2016 amounts to P=15,000,000 each for GHT and Newsnet. Service revenue recognized in 2016 for the technical service related to Rohill TetraNode System provided by the Group to NOW Telecom amounts to P=7,500,000.

m. Technology consultancy
Included in the contract entered in 2016, the Parent Company will provide technology consultancy services for a period of ten (10) years with an annual fee of P=450,000 each for GHT and Newsnet. Service revenue recognized in 2016 amounts to P=450,000 each for GHT and Newsnet.

n. Value-added services (VAS)
In 2015, the Parent Company entered into three (3) separate agreements with NOW Telecom, GHT and Newsnet (the Parties), wherein the Parties mutually agreed to collaborate and interconnect their respective networks in order for the Parent Company to provide VAS to the public such as cloud hosting services, virtual private network, multimedia content and program services, online game services, cloudbased multimedia conferencing services, web hosting and cloud-based mail and messaging services (VAS contracts).

On December 5, 2016, the Parties agreed to amend Chapter 5 of their VAS contracts to add provision on revenue sharing from the broadband revenue.

On December 23, 2016, the Parties further agreed to amend their VAS contracts to include additional fees from actual usage of bandwidth and other provision on charging to the Parent Company on a cost-plus margin arrangement.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the current year (2017) are as follows

ACTUAL				
			2016	2015
	COMPENSATION	**OTHERS**	**TOTAL**	
A. Five (5) most highly compensated Executive Officers	**6,176,177.43**	**6,214,000**	**12,390,177.43**	6,858,809
All directors and executive officers as a group unnamed	**475,354.73**		**475,354.73**	475,354.73

Projected 2017

	COMPENSATION	OTHERS	TOTAL
A. Five (5) most highly compensated Executive Officers	**8,347,911.76**	**5,725,416.67**	**14,073,328.43**
All directors and executive officers as a group unnamed	**475,354.73**		**475,354.74**

The following are the 5 highest compensated directors / executive officers of the Company: 1. Thomas G. Aquino, 2. Mel V. Velarde, 3. Angeline L. Macasaet, 4. Ma. Nenita G. Libid 5. Kristian Noel A. Pura.

Item 7. Independent Public Accountants

The auditing firm of Sycip Gorres Velayo & Co. (“SGV & Co.”) is the incumbent external auditor of the Company for the calendar year 2016 and was re-appointed at the June 2, 2016 annual meeting of the shareholders. The said auditing firm will be recommended for re-appointment at the 01 June 2017 annual meeting of shareholders to conduct the audit for fiscal year 2017.

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

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

The auditing firm of SGV & Co. has been the external auditor of the Company for the last six years. There have been two different partners in charge from 2010 to 2016. For the 2016 audit, the partner in charge was Ms. Jhoanna Feliza C. Go. The Company is in compliance with SRC Rule 68, paragraph 3(b)(IV) regarding compliance with the 5-year rotation of external auditor.

Audit Fees

The aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the external auditor for the audit of the of the parent Company and I-Resource Consulting International, Inc. (subsidiary) annual financial statements is Php550,000.00 for 2016, Php308,000.00 for 2015 and Php308,000.00 for 2014.

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

In 2016, SGV & Co. did the review of the Interim Condensed Consolidated Financial Statements as at September 30, 2016 and for the nine-month periods ended September 30, 2016 and 2015. There were no other significant professional services rendered by SGV & Co. during the period.

Audit Committee

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

Marlou B. Ubano – Chairperson (Independent Director)
Ramon Guillermo R. Tuazon – Member
Gerard Bnn R. Bautista – Member

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There is none.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

Other data related to the Company's financial information such as the Consolidated Audited Financial Statements as of 31 December 2016 together with the Statement of Management Responsibility; the Interim Financial Statements as of 31 March 2017; the Certification on Appointment or Employment in Government Entity; and the 1st Quarter Report for period ended 31 March 2017 (SEC Form 17-Q) are hereto attached as **ANNEXES "B", "C", "D"** and **"E"**, respectively.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

None.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

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

1. Minutes of the Special Stockholders' Meeting last 08 November 2016 reflecting the following:

   a. Approval of the minutes of the 2016 Annual Meeting held on 02 June 2016;
   b. Amendment of the Seventh Article of Incorporation (Creation and Issuance of 60 Million Redeemable, Convertible, Non-Participating and Non-Voting Preferred Shares With or Without Detachable Warrants and Listing Thereof in the Exchange, and such other terms as may be approved by the Board)
   c. Approval of the Public Offering of Redeemable, Convertible, Non-Participating and NonVoting Preferred Shares With or Without Detachable Warrant, under such terms as may be approved by the Board;

2. Other proposed Actions:

   Action will be taken to approve and ratify the acts of the Board of Directors and Management of the Company from the last special meeting of stockholders held on 08 November 2016 up to the date of the annual meeting of stockholders on 01 June 2017. These acts were adopted in the ordinary course of business and include the election of corporate officers and committee members.

Item 16. Matters Not Required to be Submitted

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

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

None.

Item 18. Other Proposed Actions

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

Item 19. Voting Procedures

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

1. All outstanding stockholders as of record date of 08 May 2017 are entitled to vote, one to one, and shall have the right to vote. Atty. Angeline L. Macasaet, the Corporate Secretary, will count the votes cast.

2. For purposes of electing directors, cumulative voting shall be followed. The stockholders may have the option to cast all his/her votes in favor of one or distribute his/her votes among nominees. Only candidates nominated during the meeting shall be entitled to be voted.

3. Consistent with the provisions of the By-laws of the Company, voting need not be by ballot and will be done by show of hands, unless required by law, or upon motion by any of the stockholders.

UNDERTAKING TO PROVIDE ANNUAL REPORT

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

ANGELINE L. MACASAET
Corporate Secretary
NOW CORPORATION
Unit 5-I, 5^{th} Floor, OPL Building, 100 C. Palanca St. corner dela Rosa and Gil Streets
Legaspi Village, Makati City

PART II.

INFORMATION REQUIRED IN A PROXY FORM

There are no proxy solicitations.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 08 May 2017.

NOW CORPORATION
Issuer
By:

MEL V. VELARDE
President

VICENTE I. PENANUEVA
Chief Finance Officer

ANGELINE L. MACASAET
Corporate Secretary

PART I - BUSINESS AND GENERAL INFORMATION

General Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On December 21, 2010, the Company entered into a subscription agreement with Thumbmob Philippines, Inc. (Thumbmob) to subscribe to new shares of stock of Thumbmob totaling 145,834 shares which will be equivalent to 50% equity interest in Thumbmob, post investment. The Investment and Subscription Agreement with Thumbmob is subject to the confirmation by the Board of Directors of the Company.

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

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

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

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

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

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

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

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

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

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

The Board of Directors and Stockholders of the Company approved the name change from Information Capital Technology Ventures, Inc. to Now Corporation on 2 July 2013 and 6 June 2013, respectively. On 16 August 2013, the SEC issued the Certificate of Filing of Amended Articles of Incorporation and the Certificate of Revision of the Title of Amended By-Laws certifying the said name change.

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

During the Special Stockholders' Meeting held on January 22, 2015, the shareholders approved the following: 1) increase of the capital stock of the Company from Php1.32B to Php2.120B or an increase of Php800M; 2) conversion of advances made by a shareholder, Velarde, Inc., in the amount of Php200M; 3) application for listing with the PSE of the additional 200M shares to be issued from the increase in authorized capital; and 4) waiver by a majority vote representing the outstanding shares held by the minority shareholders present of the conduct of a rights or public offering of the shares to be subscribed by Velarde, Inc. The Company's Board of Directors had previously approved a higher increase of Php2.7B during its November 27, 2014 meeting. However, upon further study and discussion, a lower amount was recommended and approved by the Board during a special meeting held on 22 January 2015 prior to the Special Stockholders' Meeting scheduled on the same day.

On 17 December 2015, the Securities and Exchange Commission approved the Company's increase in authorized capital from Php1,320,000,000.00 divided into 1,320,000,000 shares of the par value of Php1.00 each to Php2,120,000,000.00 divided into 2,120,000,000 shares of the par value of Php1.00 each.

At the 29 April 2016 Special Meeting of the Board of Directors, the Board approved the increase of the authorized capital stock of the Company from Php2.120B to Php3.0B. The Board likewise approved the conversion into equity of the 264M advances accumulated since year 2011 from a shareholder, Velarde, Inc., at a conversion price of Php1.22/share computed/ based on the daily average of the volume-weighted average price of NOW shares for a 30-day trading period ending 14 April 2016; Finally, the Board approved the listing of 216M shares that will be issued out of the said conversion and increase in authorized capital stock.

In its 02 September 2016 Special Meeting, the Board of Directors approved the amendment of the Seventh Article of Incorporation to authorize the creation of Sixty Million (60,000,000) Redeemable, Convertible, Non-Participating and Non-Voting Preferred Shares with or without Detachable Warrants with a par value of One Peso (Php1.00) per share. The Board likewise approved the setting of the special stockholders' meeting on 08 November 2016 with the record date of 28 September 2016.

During the 08 November 2016 Special Stockholders' Meeting, the shareholders present, by a unanimous vote, approved the following: 1) Minutes of the Annual Stockholders' Meeting held on 02 June 2016; 2) Amendment to the Seventh Article of Incorporation (creation of 60M Redeemable, Convertible, NonParticipating, and Non-Voting Preferred Shares with or without Detachable Warrants with a par value of One
Peso (Php1.00) per share; 3) Approval for listing of 60M Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares with or without Detachable Warrants with a par value of One Peso (Php1.00) per share; 4) Approval for issuance and public offering of 60M Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares with or without Detachable Warrants with a par value of One Peso (Php1.00) per share.

The Shareholders likewise expressly granted the authority to the Board of Directors to determine: (1) whether the issuance of the Preferred Shares shall be with or without warrants; (2) the actual number of warrants to be issued in connection thereto, which shall in no case be more than two (2) times the total number of Preferred Shares to be issued; (3) the total number of underlying common shares to be issued in connection with such warrant, which shall in no case be more than the number of warrants to be issued; and (4) to determine all other terms and conditions of the warrant including the strike price.

In its 21 December 2016 Regular Meeting, the Board of Directors approved the filing of the Registration Statement, Listing Application and the terms and conditions and such other relevant acts in connection with the intended public offering of shares of the Company.

Business of the Company

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

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

Business Partners

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

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

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

Brands

NowPlanet.TV ("NowPlanet.TV") is the digital media brand of the Company. It is a social business platform that enables enterprises, organizations and institutions to create, manage, and sustain their marketing and communications campaigns across multiple mobile devices (Smartphones and Tablet PCs that run on iOS and Android). NowPlanet.TV has launched several Channels for business owners and institutions in order to synergize their marketing and communication efforts, through the use of digital media. In 2012, it unveiled the Live Streaming coverage of the Impeachment Trial of Chief Justice Renato Corona through the Justice Watch Channel, in partnership with the Asian Institute of Journalism and Communications, Inc. (AIJC).

WebsiteExpress.Biz ("WebsiteExpress.Biz") is a one-stop shop website development service - providing micro, small and medium sized enterprises affordable, professional websites in as fast as 5 days.

Products and Services

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

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

2. **Communications Network Services** - In partnership with NOW Telecom, clients will have access to the usual cellular services as well as professional radio services such group communication,

field workforce management services (dispatching) and data services through Trunk Radios (TETRA).

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

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

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

6. **Content Distribution** – In partnership with IBM, the Company provides a full range of services utilized to distribute content via video. The Company provides services and applications using the IBM UStream video platform.

7. **Digital Marketing** – NOW brings new technologies to increase the client's engagement with its potential customers through enterprise-grade marketing and email automation.

8. **Human Resource Management System** – Human Resource Management System is an endto-end solution that covers the entire employee engagement cycle - from recruitment to retirement, leading to increased efficiency, enhanced productivity and reduced operational costs.

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

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

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

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

11. **Live Streaming** – through the Company's digital media platform branded as NowPlanet.TV, the Company offers clients live streaming technology to the Internet. Clients' events can be streamed globally and watched by millions of people in their mobile devices through state-of-theart digital video and uplink technologies.

12. **Website Development** – this service helps clients achieve an online presence to generate highly interactive and engaging relationships with the clients' end-customers. The Company has established the brand WebsiteExpress as its vehicle to delivering world-class and globally compliant websites. WebsiteExpress operates at a subscription model, providing subscribers

affordable, professional websites in as fast as 5 days. It is a one-stop shop – development, domain, hosting, SSL certificates, shopping cart, email and more all in one place, eliminating the need to deal with multiple service providers.

13. **Mobile Applications Development** – through this service, the Company extends customer engagement and interactivity with mobile applications such as cinematic 3D, game-based learning, rich media, HTML5 animation and gesture triggers, which can be easily customized and deployed. The Company has successfully developed the It's More Fun in the Philippines.

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

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

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

On July 23, 2002, the Board of Directors and stockholders approved the offer of up to 28,000,000 shares from the Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Company was approved by the PSE and the Securities and Exchange Commission (SEC), on June 11 and July 30, 2003, respectively. The Company was listed in the PSE on July 23, 2003. Issue manager and underwriter was Abacus Capital & Investment Company. The market price is at high of Php1.08 and low of Php.34. The following table is the summary of the Company's stock prices from first quarter of 2013 up to the first quarter of 2017:

Year	Quarter	High	Low	Close
2013	1st	0.510	0.400	0.400
	2nd	0.450	0.360	0.380
	3rd	0.465	0.355	0.430
	4th	0.430	0.365	0.405
2014	1st	0.405	0.360	0.380
	2nd	1.040	0.370	0.710
	3rd	0.910	0.610	0.630
	4th	0.720	0.540	0.570
2015	1st	0.670	0.400	0.495
	2nd	0.630	0.430	0.465
	3rd	0.610	0.400	0.500
	4th	1.290	0.470	0.750
2016	1st	1.140	0.580	1.100
	2nd	3.550	1.290	2.900
	3rd	3.990	3.240	3.440
	4th	3.450	2.050	2.490
2017	1st	3.200	2.650	2.900

The Company's stock price as of 31 May 2017 is Php2.90.

Related Stockholder Matters

During the 02 June 2006 Annual Shareholders Meeting of the Company, the shareholders approved the Memorandum of Agreement dated April 28, 2006 (MOA) entered into by the Company with NOW Telecom and five other companies namely, Top Mega Enterprises Limited, Joycelink Holdings Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Food Camp Industries and Marketing, Inc. (the five companies collectively known as NOW Telecom Shareholders).

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

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

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

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

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

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

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

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

The movement in the number of shares and capital stock amount for the year ended December 31, 2016, 2015 and 2014 are as follows:

	2016		**2015**		**2014**	
Balance at beginning of year	Number of Shares	Amount	Number of shares	Amount	Number of shares	Amount

	1,517,278,350	**1,517,278,350**	**1,517,278,350**	**1,517,278,350**	**1,317,278,350**	**1,317,278,350**
Increase in number of shares as a result of reduction in par value	**-**	**-**	**-**	**-**	-	-
Issuance during the year	**-**	**-**	**200,000,000**	**200,000,000.00**		
	1,517,278,350	**1,517,278,35**	**1,517,278,350**	**1,517,278,350**	**1,317,278,35**	**1,317,278,350**
		0			**0**	

No party or person holds any voting trust over any of the Company's shares. There are approximately 44 Holders of Common Stock as of March 31, 2017. The Top Twenty (20) Holders of Common Stock as of March 31, 2017 are as follows:

Name	**Nationality**	**No. of shares**	**Percentage**
PCD Nominee Corporation	Filipino	485,300,985	31.9850%
Top Mega Enterprises, Limited	Chinese	367,935,951	24.2497%
Emerald Investments, Inc.	Filipino	209,395,185	13.8007%
Velarde, Inc	Filipino	200,571,550	13.2192%
Foodcamp Industries and Marketing, Inc.	Filipino	91,726,743	6.0455%
Joyce Link Holdings, Limited	British	86,458,552	5.6893%
Gamboa Holdings, Inc.	Filipino	75,429,216	4.9713%
Chua Co Kiong, William N.	Filipino	145,000	0.096%
De Leon, Jose Mari S.	Filipino	10,000	0.0007%
Espinosa, Joseph	Filipino	10,000	0.0007%
Diata, Juditha G.	Filipino	10,000	0.0007%
Tareno, Maria Guia I.	Filipino	10,000	0.0007%
Serania, Virginia P.	Filipino	10,000	0.0007%
Francisco, Richard L.	Filipino	10,000	0.0007%
Bocabil, Alben B.	Filipino	10,000	0.0007%
De La Cuesta, Karlo S.	Filipino	10,000	0.0007%
Ligutan, Eninias P.	Filipino	10,000	0.0007%
Pagudar, Venus B.	Filipino	10,000	0.0007%
Alvarez, Jr., Servando B.	Filipino	10,000	0.0007%
Cueto, Edessa P.	Filipino	10,000	0.0007%

Dividends

No cash dividends were declared in the past three (3) years. There are no restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future.

Reconciliation of Retained Earnings Available for Dividend Declaration

Deficit, as adjusted, beginning* (P=430,450,658)

Net Income based on the face of the Audited Financial Statements **2,500,433** Deficit, as adjusted, ending (P=427,950,225)

Recent Sale of Unregistered Securities

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

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

Registrant's Financial Condition, Changes in Financial Condition and Results of Operations

Plans and prospects for 2016 and 2017

The Company plans to expand its service offerings with the introduction of its "Fiber-in-the-Air" fixed wireless broadband service with a committed information rate ("CIR") of up to 700 Mbps, a first of its kind in the Philippines. Through its partnership with NOW Telecom Inc. ("NOW Telecom") and News and Entertainment Network Inc,. ("Newsnet"), a wireless telecommunications operator and a cable TV service provider, respectively, the Company offers an affordable, alternative and high-speed broadband service of up to 700 Mbps and wireless cable TV services to the underserved and unserved large enterprises such as schools, hospitals, hotels, high-end residential buildings, and commercial buildings with multiple BPO locators. Currently, the Company's client broadband subscription ranges from 5 Mbps to 100 Mbps, which may be further increased to up to 700 Mbps, depending on the clients' bandwidth requirements. The Company positions its fixed wireless broadband service either as primary, alternative or as an auxilary link to existing broadband service providers.

The Company's Fiber-in-the-Air fixed wireless broadband service shall allow its subscribers to download, upload, stream and share files simultaneously without compromising performance. The Company shall deploy competitively priced high-speed broadband bandwidth resources with high availability through its Point-to-Point and Point-to-Multipoint Radios. From providing Software Licenses and Services to adding IT Manpower and Resource Augmentation and Broadband Wireless Cable TV Services, the Company shall deliver high-speed broadband services with a CIR of up to 700 Mbps which may be bundled with enterprise collaborations solution, wireless cable television and interactive multi-media applications.

In line with the Company's plans to expand its service offerings with introduction of its "Fiber in the Air", the Company had filed its application for the plan of Follow On Offering ("FOO") to raise funds. The Registration Statement ("RS") was filed with SEC on February 17, 2017. Purchase of various CAPEX is expected in the next 12 months. There would be significant changes in the number of employees to complement the expansion.

Results of operations

March 31, 2017, First Quarter

- **Total Consolidated revenues in the first quarter of 2017 is Php32.734 Million, increased by 189.53% or Php21.428 Million from last year's first quarter revenue of Php11.306 Million. The increase is due to the significant increase in Service Revenue from Php 7.132 Milion last year, it goes up to Php 19.777 Million this year. Service revenues pertains mainly to fees or income earned from the deployment by the Company of professionals to its clients to render IT-related solutions and services. Also, sales revenue increased by Php8.982 Million, from Php3.165 in 2016 to Php12.147 in 2017 and this was mainly due to increase in the sales revenue generated from broadband and software licenses**

- **Cost and Expenses for the first quarter of 2017 is Php31.722 Million, which is a significant increase from last year's cost and expense of Php14.762 Million. This was brought about by increase in cost of sales of Php 4.350 million from Php1.316 million in 2016 to Php 5.667 in 2017. Other expenses which has a significant increase are Salaries and other benefits which has a Php3.176 million increase, outside services which has a Php2.102 million increase, taxes and licenses which has an increase of Php 2.256 million and transportation and travel which has an increase of Php1.425 million.**

- **As of March 31, 2017, the total consolidated assets of the Company stood at Php1.574 Billion compared with last year's Php1.495 Billion or an increase of Php79.076 Million. Current Assets increased by Php54.268 Million or 31% from Php173.760 Million 2016 to Php228.028 Million 2017. This was due to the increase in Trade and other receivables by Php 31.590 Million, from last year's Php 85.010 Million, increased to this year's Php 116.600 Million, Amounts owed to related parties increased by Php 861k from last year's Php 76.213 increased to this year's Php 77.073 Million. Other current assets increased by Php18.388 million. Cash increased by Php 3.429 Million, from Php1.986 Million in 2016 it increases to to Php 5.414 Million in 2017. Non-Current Assets increased to Php1.346 Billion from last year's Php 1.321 Billion.**

- **Current liabilities increased by Php37.866 Million or 20.41% from Php185.543 Million in 2016 to Php223.409 Million in 2017. Accounts Payable and accrued expenses increased by Php6.903 Million or 5.94%, from Php116.133 Million in 2016 it increased to Php123.036 Million in 2017. NonCurrent Liabilities decreased by Php 229.747 Million primarily due to the conversion of Php 264 Million from Liability to Equity from Php230.196 million last year it decreases to 449K 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. This was paid in June 2016.**

- **On December 22, 2016, the Company availed a chattel mortgage amounting to Php564K from a local universal bank for the purchase of a vehicle, which serves as the property mortgage. The new loan requires 60 monthly repayments until November 23, 2021.**

- **As of March 31, 2017, the total Assets stood at Php1.574 Billion, Liabilities at Php223.857 Million and Equity at Php1.350 Billion.**

Year 2016

The consolidated revenue for the year 2016 is Php105.437 million, there is a slight decrease of Php9.957 million or 9% from last year's Php115.394 million. The decrease is mainly due to the shifting of the Company's main business from software licenses to broadband. Revenue from software licenses and services decreased to Php56.041 million in 2016 from Php75.967 million in 2015. Company's sales from IT manpower and resource augmentation increased to Php43.415 million in 2016 from Php39.427 million in 2015. Broadband sales for 2016 amounted toPhp5.981 million.

The Operating Expenses is Php44.098 million in 2016 and Php33.049 million in 2015. There is a significant increase by Php11.049 million or 33% in 2016 as compared to 2015 was mainly due to impairment of advances by the Company to one of its affiliates amounting to Php5 million and also due to an increase in advertising and promotion expense amounting to Php4.524 million.

The Net income for the year ended December 31, 2016 is Php2.499 million or Php2.737 million lower compared with last year's Net Income of Php5.235 million. This year's slight decrease in revenue was due to the shifting of the Company's main business to broadband services from software licenses.

As of December 31, 2016, the total consolidated assets of the Company stood at Php1.547 billion compared with last year's Php1.498 billion, an increase by Php48.683 million or 3%. Current Assets increased by Php49.751 million or 33%, from Php150.333 million in 2015 to Php200.084 million in 2016. The increase in Current assets was mainly due to the increase in trade receivables from Php81.788 million in 2015 to Php115.532 million in 2016 and an increase also in Amounts Owed by Related Parties from Php48.387 million in 2015 to Php72.496 million in 2016. Non-current Assets slightly decreased by Php1.068 million due to decrease in due from related party non current portion.

Current liabilities decreased by Php218.255 million or 53%, from Php415.505 million in 2015 to Php197.250 million for 2016. The decrease was due to the conversion of advances from an affiliate into equity during the year which amounted to Php264 million and payment of loan amounting to Php44.5 million. Accounts Payable and accrued expenses also decrease from Php132.927 million to Php119.643 million. Amounts Owed to Related Parties decrease by Php160.558 million. Non-current Liabilities on the other hand increased by Php449K due to loan availment made by the Company during the year.

Total consolidated assets as of December 31, 2016 stood at Php1.547 billion, with Liabilities at Php197.7 million and Equity at Php1.349 billion.

Year 2015

The consolidated revenue for the year 2015 is Php115.394 million, there is a significant increase of Php41.614 million or 56% from last year's Php73.779 million. The increase is contributed largely by an increase in revenue from IT Service Fees. Revenue from IT service fees increased to Php67.108 million in 2015 from Php47.031 million in 2014. Company's sales from IBM licenses and other services also increased by Php21.538 million or 81%, the sales increased to Php48.286 million this year from last year's Php26.748 million.

The Operating Expenses is Php33.049 million in 2015 and Php50.058 million in 2014. There is a significant decrease by Php17.008 million or 34% in 2015 as compared to 2014 due to decrease in Interest expenses from Php19.001 million in 2014 down to Php1.054 million in 2015. General and Administrative Expenses and Other Expenses increased by Php569K and Php370K respectively.

The Net income for the year ended December 31, 2015 is Php5.235 million or Php43.718 million higher compared with last year Net Loss of Php38.482 million. This year's increase in revenue contributed the positive bottom line in 2015.

As of December 31, 2015, the total consolidated assets of the Company stood at Php1.498 billion compared with last year's Php1.454 billion, an increase of Php43.803 million or 3%. Current Assets increased by Php20.529 million or 16%, from Php129.804 million in 2014 to Php150.333 million in 2015. The increase in Current assets was a result of an increase in Cash from Php2.007 million in 2014 to Php15.980 million in 2015. There is an increase in trade receivables from Php51.803 in 2014 to Php81.788 million in 2015. There is a decrease in Amounts Owed by Related Parties and other current assets from Php75.995 million in 2014 to Php52.565 million in 2015. Non-current Assets increased by Php23.275 million due to the increase in the noncurrent portion of the amounts owed by the related parties amounting to Php26.564 million.

Current liabilities increased by Php279.429 million or 205%, from Php136.077 million for 2014 to Php415.505 million for 2015. The increase is due to the reclassification of a Php44.5 million bank loan from long term to current. Accounts Payable and accrued expenses also increase from Php120.397 million to Php132.927 million. Amounts Owed from Related Parties also increased by Php223.074 million. However, Obligation under finance lease become zero this year from Php675K last year. Non-current Liabilities on the other hand decreased significantly by Php440.847 million due to the reclassification of a Php44.5 million bank loan from long term to current as stated above. And a decrease in Due to related parties from Php396.347 million in 2014 to zero in 2015.

Total consolidated assets as of December 31, 2015 stood at Php1.498 billion, with Liabilities at Php415.505 million and Equity at Php1.083 billion.

Year 2014

The consolidated revenue for the year 2014 is Php73.779 million, a decrease of 7% from last year's Php79.318 million. The unfavorable variance of Php5.539 is due to the decrease in IT Service Fees. This year's IT Service Fees is Php47.031 million while in year 2013 it was Php53.320 million. However, the company's sales of IBM licenses in 2014 increased to Php21.235 million from last year's Php20.486 million. Interest Income increased to Php472,549 from last year's Php471,820.

The Operating Expenses is Php50.058 million in 2014 and Php95.670 million in 2013. There is significant decrease by Php45.612 million or 48% in 2014 as compared to 2013. The decrease in operating expenses was brought about largely by decrease on contracted outside services amounting to Php22.383 million or 88%. This is inclusive of manpower reduction for cost efficiency measures. Interest Expense decreased by Php19.369 million or 50% due to a restructured advances from an affiliate. The savings on the following cost line items for 2014 as against 2013 were due to cost efficiency measures, such as: Utilities decreased by Php2.745 million or 68%; Professional fees decreased by Php2.533 million or 65%; Communication decreased by Php2.448 million or 46%; Rental decreased by Php399K or 12% and, others decreased by Php853K or 11%. Depreciation and Amortization decreased by Php1.160 million or 19% is due to retirement of some assets. However, there is increase by Php6.278 million or 706% in Impairment loss in 2014 as compared to 2013. The company provided an allowance for impairment of receivables and other assets Php7.167M in 2014, while in 2013 was Php889K.

Total Net loss for 2014 is Php38.482 million or Php48.752 million less compared with last year of Php87.234 million. This year's decrease of cost and expenses contributed the improved bottom line in 2014.

As of December 31, 2014, the total consolidated assets of the Company stood at Php1.455 billion compared with last year's Php1.445 billion, an increase by Php9.684 million or 1%. Current Assets increased by Php14.742 million or 13%, from Php115.062 million in 2013 to Php129.804 million in 2014. The increase in Current assets was a result of an increase in trade receivables by Php6.808 million or 15%. There was an increase in Amounts Owed by Related Parties by Php17.111 million or 31%, while Cash account and Other Current Assets decreased by Php7.649 million and Php1.527 million, respectively. Non-current Assets decreased by Php5.058 million attributed from a decrease in Property and Equipment and other Non-Current Assets by Php4.704 million and Php354K.

Current liabilities increased by Php1.446 million or 1%, from Php134.630 million of 2013 to Php136.077 million of 2014. The variance is due to an increase in Amounts Owed from Related Parties by Php10.163 million or 210%, and decrease in Accounts Payable as well as decrease in the Current portion of obligations under Finance Lease by Php6.383 million and Php2.333 million, respectively. Non-current Liabilities on the other hand increased by Php46.648 million or 12% due to an increase in Amounts Owed from Related parties by Php47.323 million or 14%. On the other hand, Non-current portion of Obligations under Finance Lease is zero in 2014 and Php675K in 2013.

Total consolidated assets as of December 31, 2014 stood at Php1.455 billion, with Liabilities at Php576.923 million and Equity at Php877.625 million.

Year 2013

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

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

Operating expenses decreased by 11% or Php21.4M in 2013, the decrease was largely attributed to outside services from Php56.2M to Php25.52M due cost cutting measures for development activities to support its thrust to focus on providing high value ICT services. Other decreases in operating expenses include Communications at Php2.14M, Professional fees at Php1.41M, transportation and travel at Php4.94M and Advertising and promotion at Php3.39M. The equity in net losses of associates share at Php3.1M, impairment loss on goodwill on Softrigger investment at Php3.8M and Commision of Php607K as charged in 2012 were of zero amount in 2013.

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

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

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

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

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

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

Receivables and Payables with Related Parties Eliminated During Consolidation

The amount eliminated with related parties on trade receivables and payables are:

J-Span IT Services, Inc.	₱4,700,917.00
Porteon Sea, Inc.	3,443.00
i-Resource Consulting International, Inc.	157,660
i-Professional Search Network, Inc.	4,893,533
Softrigger Interactive, Inc.	2,816,063

Key Variable and Other Qualitative and Quantitative Factors

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

Financial Soundness Indicators

		Year 2016	Year 2015
Profitability	Profit Margin	2.37%	4.54%
	Return on Assets	0.16%	0.35%
	Return on Equity	0.19%	0.48%
	Book Value per share	0.8893	0.7138
	Earnings per share	0.0016	0.0035
Liquidity	Current Ratio	1.014	0.921
Debt to Equity	Debt to Equity Ratio	0.1465	0.384
Assets to Equity	Assets to Equity Ratio	1.1465	1.384
Interest	Interest rate coverage ratio	9.189	7.40

The Financial Soundness Indicators are computed as follows:

Profitability:

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

Liquidity:
Current Ratio = Current Assets / Current Liabilities

Debt to Equity:

Debt to Equity Ratio = Total liabilities / Total Stockholders' Equity
Asset to Equity Ratio = Total Assets / Total Stockholders' Equity
Interest rate coverage ratio = EBIT / Interest Expense *Any Known Trends, Events or Uncertainties*

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

Events that will trigger Direct or Contingent Financial Obligation

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

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

Material Off-Balance Sheet Transactions

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

Material Commitment for Capital Expenditures

As the business volume builds up progressively, 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 2 years for capital expenditures in connection with the launch of its new products and services.

Trends, Events or Uncertainties (Material Impact on Sales)

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

Compliance with Corporate Governance

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

The Company has complied with the requirements of the Revised Manual on Corporate Governance for the completed year, and no deviation was made in any form as provided for in the Compliance System of the Model Manual. The Company has undertaken measures in adopting the leading practices on good corporate governance by regularly reviewing and discussing compliance with the said manual. Any plan to improve the Company's corporate governance will be discussed in the coming annual stockholders meeting.

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

During the third quarter of 2014, the Company adopted the following: Conflict of Interest Policy, Insider Trading Policy, Related Party Transaction Policy, Whistle-Blowing Policy.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 08 May 2017.

NOW CORPORATION
By:

MEL V. VELARDE
President and CEO

VICENTE I. PENANUEVA
Chief Finance Officer

ANGELINE L. MACASAET
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 8th day of May 2017, affiants exhibiting to me their government-issued identification evidence of identity, as follows:

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

Doc. No. 427;
Page No. 87;
Book No. 185;
Series of 2017.

ATTY. ROBERT N. LUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1052367 for 2017, Nov. 22, 2016-RSM
PTR #5909501, Jan. 03, 2017-Makati
S.C. Roll No. [illegible]
MCLE Compliance No. [illegible]
Unit 301 3rd Flr. [illegible] Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

SUBSCRIBED AND SWORN to before me this 8th day of May 2017, affiants exhibiting to me their government-issued identification evidence of identity, as follows:

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

Doc. No. _______; Page
No. _______;
Book. No. _______;

Series of 2017.

ANNEX "A"

NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of NOW CORPORATION will be held on 01 June 2017, 10 a.m. at the Sixth Floor NOWPLANET Building, No. 2244 Espana Boulevard, Sampaloc, Manila, with the following Agenda:

AGENDA

1. Call to Order
2. Certification of Notice and Determination of the Existence of Quorum
3. Approval of Minutes of Previous Meeting
4. Annual Report
5. Election of Directors
6. Ratification of the Acts of and Resolutions of the Board of Directors and Officers of the Corporation Since the Last Special Stockholders' Meeting
7. Re-Appointment of Sycip Gorres Velayo & Co. as Independent External Auditor
8. Other Matters
9. Adjournment

The record date for stockholders entitled to notice of, and vote at, the said meeting is 08 May 2017. Registration for the meeting shall be at 9:00 a.m. Please present any proof of identification, such as driver's license, passport, or company I.D, to facilitate registration.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the Company on or before 30 May 2017, addressed to the attention of the Corporate Secretary. Validation of proxies shall be held on 31 May 2017 at 10:30 a.m. at the principal office of the Company. No proxy is being solicited.

Makati City, 25 April 2017.

Angeline L. Macasaet
Corporate Secretary

ANNEX "A"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 - 0 0 1 7 9

COMPANY NAME

NOW CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Unit 5-I, 5th Floor, OPL Building 100 C. Palanca Street, Legaspi Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
Vicente.penanueva@now-corp.com	(632) 750-0461 / (632) 750-0211	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
44		12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Vicente Penanueva	Vicente.penanueva@now-corp.com	799-7700	09175999525

CONTACT PERSON's ADDRESS

Unit 5-I, 5th Floor, OPL Building 100 C. Palanca Street, Legaspi Village, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
NOW Corporation
Unit 5-I, 5th Floor, OPL Building
100 C. Palanca Street, Legaspi Village
Makati City

Opinion

We have audited the consolidated financial statements of NOW Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of the Investment in NOW Telecom, Inc.
As at December 31, 2016, the Group has 19% equity investment in NOW Telecom, Inc. amounting to ₱1,289,278,350, which represents 83% of the total assets. This unquoted equity investment is classified as an available-for-sale financial asset and is carried at cost. Under the PFRSs, if there is objective evidence of impairment, the Group is required to determine the recoverable amount of the unquoted equity security, which is the present value of estimated future cash flows, and record any impairment loss.

The determination of the recoverable amount of the investment in NOW Telecom, Inc. is significant to our audit because the amount is material to the consolidated financial statements. In addition, management's assessment process involves significant judgment about future market conditions and use of assumptions such as market value of comparable frequencies, revenue growth rate, long-term growth rate and discount rate. Any changes to these assumptions could significantly affect the recoverability of the investment. The related disclosures on the Group's investment in NOW Telecom, Inc. are included in Note 3 to the consolidated financial statements.

Audit Response
We obtained an understanding of the Group's impairment assessment process and related controls. We involved our internal specialist in evaluating the assumptions and valuation methodologies used. For frequencies of NOW Telecom, Inc. with comparable market value, we compared the assumptions used in valuing these frequencies such as price per MHzPop with the most recent comparable market transactions. For all other frequencies, we compared the forecasted cash flows assumptions used in the recoverability testing such as revenue growth rate and long-term growth rate with relevant industry outlook and other relevant external data. Likewise, we tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the investment in NOW Telecom, Inc.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

SGV
Building a better working world

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 5908703, January 3, 2017, Makati City

April 12, 2017

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

APR 17 2017

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

	December 31 2016	2015	2014
ASSETS			
Current Assets			
Cash	₱4,396,419	₱15,979,672	₱2,006,757
Trade and other receivables (Note 4)	115,532,368	81,788,408	51,802,863
Due from related parties (Note 9)	72,495,743	48,386,597	71,922,528
Other current assets (Note 5)	7,659,213	4,178,091	4,072,120
Total Current Assets	200,083,743	150,332,768	129,804,268
Noncurrent Assets			
Available-for-sale investment (Note 6)	1,289,278,350	1,289,278,350	1,289,278,350
Advances to affiliates (Note 6)	23,592,818	28,592,818	28,592,818
Due from related parties (Note 9)	27,030,711	26,563,678	–
Property and equipment (Note 7)	6,614,680	3,250,507	6,452,203
Other noncurrent assets - net of accumulated amortization of computer software amounting to ₱1,123,371, ₱996,466 and ₱869,562 as of December 31, 2016, 2015 and 2014, respectively	434,987	333,964	421,064
Total Noncurrent Assets	1,346,951,546	1,348,019,317	1,324,744,435
TOTAL ASSETS	₱1,547,035,289	₱1,498,352,085	₱1,454,548,703
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 8)	₱119,642,574	₱132,927,061	₱120,396,613
Due to related parties (Note 9)	77,520,582	238,078,380	15,004,596
Loans payable (Note 11)	87,426	44,500,000	–
Obligations under finance lease (Note 10)	–	–	675,433
Total Current Liabilities	197,250,582	415,505,441	136,076,642
Noncurrent Liabilities			
Loans payable (Note 11)	449,107	–	44,500,000
Due to related parties (Note 9)	–	–	396,346,616
Total Noncurrent Liabilities	449,107	–	440,846,616
Total Liabilities	197,699,689	415,505,441	576,923,258
Equity Attributable to Equity Holders of the Parent Company			
Common stock (Note 12)	1,517,278,350	1,517,278,350	1,317,278,350
Deposits for future stock subscriptions (Note 9)	264,000,000	–	–
Cumulative translation adjustment	1,140,435	1,149,988	1,164,222
Deficit	(427,950,225)	(430,450,658)	(435,687,362)
	1,354,468,560	1,087,977,680	882,755,210
Non-controlling Interest	(5,132,960)	(5,131,036)	(5,129,765)
Total Equity	1,349,335,600	1,082,846,644	877,625,445
TOTAL LIABILITIES AND EQUITY	₱1,547,035,289	₱1,498,352,085	₱1,454,548,703

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Service fees (Note 9)	₱90,623,757	₱67,108,027	₱47,031,476
Sales (Note 9)	13,048,685	47,331,371	21,235,363
Others (Note 9)	1,764,541	954,483	5,512,549
	105,436,983	115,393,881	73,779,388
COSTS OF SALES AND SERVICES (Note 13)	56,646,942	75,600,352	62,075,681
GROSS INCOME	48,790,041	39,793,529	11,703,707
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	43,401,136	31,211,830	30,642,787
OTHER CHARGES			
Interest expense (Notes 9, 10 and 11)	572,962	1,053,844	19,001,068
Others	124,170	783,532	413,710
	697,132	1,837,376	19,414,778
INCOME (LOSS) BEFORE INCOME TAX	4,691,773	6,744,323	(38,353,858)
PROVISION FOR CURRENT INCOME TAX (Note 15)	2,193,264	1,508,890	128,612
NET INCOME (LOSS)	₱2,498,509	₱5,235,433	(₱38,482,470)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent	₱2,500,433	₱5,236,704	(₱38,482,470)
Non-controlling interests	(1,924)	(1,271)	–
	₱2,498,509	₱5,235,433	(₱38,482,470)
Basic/Diluted Earnings (Loss) Per Share (Note 16)	₱0.0016	₱0.0040	(₱0.0292)

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET INCOME (LOSS)	**₱2,498,509**	₱5,235,433	(₱38,482,470)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**(9,553)**	(14,234)	72,365
TOTAL COMPREHENSIVE LOSS	**₱2,488,956**	₱5,221,199	(₱38,410,105)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱2,490,880**	₱5,222,470	(₱38,410,105)
Non-controlling interests	**(1,924)**	(1,271)	–
	₱2,488,956	₱5,221,199	(₱38,410,105)

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Attributable to Equity Holders of the Parent						
	Common Stock (Note 12)	Deposit for future stock subscriptions	Cumulative Translation Adjustment	Deficit	Total	Non-controlling Interest	Total
Balances at January 1, 2014	₱1,317,278,350	₱–	₱1,091,857	(₱397,204,892)	₱921,165,315	(₱5,129,765)	₱916,035,550
Total comprehensive loss	–	–	72,365	(38,482,470)	(38,410,105)	–	(38,410,105)
Balances at December 31, 2014	1,317,278,350	–	1,164,222	(435,687,362)	882,755,210	(5,129,765)	877,625,445
Total comprehensive loss	–	–	(14,234)	5,236,704	5,222,470	(1,271)	5,221,199
Issuance of Parent Company's common stock (Note 12)	200,000,000	–	–	–	200,000,000	–	200,000,000
Balances at December 31, 2015	1,517,278,350	–	1,149,988	(430,450,658)	1,087,977,680	(5,131,036)	1,082,846,644
Total comprehensive income	–	–	(9,553)	2,500,433	2,490,880	(1,924)	2,488,956
Deposit for future stock subscription (Note 12)	–	264,000,000	–	–	264,000,000	–	264,000,000
Balances at December 31, 2016	₱1,517,278,350	₱264,000,000	₱1,140,435	(₱427,950,225)	₱1,354,468,560	(₱5,132,960)	₱1,349,335,600

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱4,691,773**	₱6,744,323	(₱38,353,858)
Adjustments for:			
Provision for impairment losses on:			
Advances to affiliates (Note 6)	**5,000,000**	–	–
Trade and other receivables (Notes 4 and 14)	**685,685**	4,033,832	6,619,366
Other current assets (Notes 5 and 14)	–	158,767	547,503
Depreciation and amortization (Notes 7 and 14)	**2,214,569**	3,567,678	4,986,825
Interest income	**(470,984)**	(711,418)	(472,549)
Interest expense (Notes 9, 10 and 11)	**572,962**	1,053,844	19,001,068
Operating income (loss) before working capital changes	**12,694,005**	14,847,026	(7,671,645)
Decrease (increase) in:			
Trade and other receivables	**(34,439,198)**	(34,019,377)	(13,427,597)
Other current assets	**(3,481,122)**	(105,971)	852,523
Increase (decrease) in accounts payable and accrued expenses	**(13,284,487)**	11,744,986	(3,432,157)
Net cash used in operations	**(38,510,802)**	(7,533,336)	(23,678,876)
Income taxes paid	**(2,193,264)**	(1,508,890)	–
Interest paid	**(572,806)**	(965,588)	(992,688)
Interest received	**3,951**	7,607	5,516
Net cash flows used in operating activities	**(41,272,921)**	(10,000,207)	(24,666,048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Due from related parties	**(24,109,146)**	(2,323,936)	(16,643,532)
Other noncurrent assets	**(227,928)**	(193,403)	152,420
Additions to property and equipment (Note 7)	**(5,451,837)**	(239,078)	(80,876)
Net cash flows used in investing activities	**(29,788,911)**	(2,756,417)	(16,571,988)
CASH FLOWS FROM FINANCING ACTIVITIES			
Due to related parties	**58,942,202**	26,727,168	33,588,436
Proceed from loan availment	**45,036,377**	–	–
Payment of loan	**(44,500,000)**	–	–
Cash flows from financing activities	**59,478,579**	26,727,168	33,588,436
EFFECT OF EXCHANGE RATE CHANGES ON CASH	–	2,371	571
NET INCREASE (DECREASE) IN CASH	**(11,583,253)**	13,972,915	(7,649,029)
CASH AT BEGINNING OF YEAR	**15,979,672**	2,006,757	9,655,786
CASH AT END OF YEAR	**₱4,396,419**	₱15,979,672	₱2,006,757

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Corporate Background

NOW Corporation (formerly Information Capital Technology Ventures, Inc.; the Parent Company) started as a duly licensed investment house when it was incorporated on June 5, 1996 and registered in the Philippine Securities and Exchange Commission (SEC) as MF Shroder & Co., Inc. It was originally a wholly owned subsidiary of Amalgamated Investment Bancorporation (AIB) and was initially engaged in the purchase and sale of securities.

In 2000, AIB expanded the services of the Parent Company by establishing an information technology (IT) enabled facility geared towards servicing the private equity needs of small and medium enterprises by matching them online with direct equity investors. Hence, the Parent Company's Article of Incorporation (AOI) was changed to expand its primary purpose of engaging in the business of securities brokerage through the use of IT.

On July 23, 2002, the Parent Company's Board of Directors (BOD) and stockholders approved the offer of up to 28,000,000 shares from the Parent Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Parent Company was approved by the Philippine Stock Exchange (PSE) and SEC on June 11, 2003 and July 30, 2003, respectively. The Parent Company was listed in the PSE on July 23, 2003 with an issue/share price of ₱1.00 per share.

In 2008, the PSE approved the application for the listing of the additional 1,289,278,350 common shares with an issue/share price of ₱1.00 per share to cover the share-for-share swap transactions with NOW Telecom, Inc. (NOW Telecom) shareholders (see Note 6).

In July 2009, the SEC approved the further amendment of the Parent Company's AOI which provides for the change in its primary purpose of engaging in the securities brokerage business to a technology, media and telecommunication (TMT) business.

In August 2010, the SEC approved the amendment of the Parent Company's AOI, removing the pre-emptive rights of shareholders with respect to subscription to any class of the Parent Company's shares of stock.

On December 16, 2010, the Parent Company's BOD approved the amendment in its AOI to include secondary purpose. The inclusion of the secondary purpose was subsequently ratified by the Parent Company's stockholders on July 2, 2011 and was approved by the SEC on August 25, 2011. The additional secondary purposes include:

a. Providing professional services and manpower in the field of TMT;
b. Acting as commission agent, manufacturer's representative, or principal for the purpose, sale, distribution, manufacture, assembly, import or export of any and all classes of materials, merchandise, supplies and commodities of every kind and nature; and
c. Engaging in the business of general and retail merchants, traders, factors, agents, manufacturers, processors, dealing in or with any and all classes of materials, merchandise, supplies and commodities of every kind and nature.

On December 21, 2016, the Parent Company's BOD approved the filing of the Registration Statement, Listing Application and the terms and conditions and such other relevant acts in connection with the intended public offering of preferred shares of the Parent Company.

Change in Corporate Name
The SEC approved the Parent Company's application to change its name from MF Shroder & Co., Inc. to Cashrounds, Inc. in January 2002 and Information Capital Technology Ventures, Inc. in September 2006.

Subsequently, on August 16, 2013, the SEC approved the change in the Parent Company's name to its current corporate name, NOW Corporation.

Certificates and Memorandum of Understanding and Agreements
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 shares of the Parent Company at an aggregate purchase price of ₱74,395,000. The sale of the Parent Company's shares became effective on August 20, 2005 resulting to a 66.67% ownership interest of GHI in the Parent Company.

On March 10, 2006, the National Telecommunication Commission (NTC), through the efforts of IMX Broadband Inc. (IBI), issued a Certificate of Registration (CoR) to the Parent Company to allow it to operate and maintain value added services (VAS) and voice over internet protocol (VOIP) services in all cities and municipalities nationwide.

On July 31, 2015, the Parent Company entered into an agreement with NOW Telecom, an authorized telecommunications carrier which provides nationwide trunk radio and cellular mobile services pursuant to the Provisional Authority by the NTC, wherein both parties mutually agreed to collaborate and interconnect their respective networks in order to provide VAS to the public (see Note 9).

On November 27, 2015, NTC issued CoR to the Parent Company that will authorized it as a VAS provider for services such as cloud hosting services, virtual private network, multimedia content and program services, online game services, cloud-based multimedia conferencing services, web hosting and cloud-based mail and messaging services. The CoR is valid for a period of five (5) years which will expire on November 26, 2020.

The Company's administrative and management functions, including key management personnel, are being handled by personnel of Knowledge Professionals Service Cooperative (KPSC) (see Note 9).

The Parent Company's registered address is Unit 5-I, 5th Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

Authorization for Issuance
In the March 29, 2017 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 Parent Company and its subsidiaries (collectively referred to herein as the Group) as of December 31, 2016, 2015 and 2014 and for the years then ended.

The consolidated financial statements of the Group as of December 31, 2016, 2015 and 2014 and for the years then ended were authorized for issue by the Chairman and President on April 12, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, including the available-for-sale (AFS) financial assets that are not quoted in an active market. The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional currency. Amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as of December 31, 2016, 2015 and 2014 and for the years then ended:

	Year of Incorporation	Nature of Business	Percentage of Ownership		
			2016	2015	2014
J-Span IT Services, Inc. (JSIT)*	2011	Service	**100%**	100%	100%
Porteon SEA, Inc. (Porteon)*	2011	Manufacturing	**100%**	100%	100%
I-Resource Consulting International, Inc. (IRCII)	2011	Service	**100%**	100%	100%
I-Professional Search Network, Inc.(I-Professional)*	2012	Service	**100%**	100%	100%
Softrigger Interactive, Inc. (SII)*	2000	Service	**67%**	67%	67%

** Not yet started commercial operations as of December 31, 2016.*

All the subsidiaries were incorporated in the Philippines except for JSIT, which was incorporated in Japan.

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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 profit or loss and within equity in the consolidated financial position, separately, from the equity attributable to equity holders of the parent of the Group. Transactions with non-controlling interests are accounted for as equity holders transactions. Any excess or deficit of consideration paid over the carrying amount of non-controlling interest acquired is recognized in equity of the Group.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements* - Disclosure Initiative
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012-2014 cycle
    - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    - Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
    - Amendment to PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
    - Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Cash
Cash includes cash on hand and with banks.

Financial Instruments
Financial instruments are recognized in the consolidated statement of financial position 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 reporting 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 financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014, 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 financial assets or designated at FVPL. This accounting policy relates to "Cash", "Trade and other receivables" and "Due from related parties" accounts in the consolidated statement of financial position. 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 method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment of loans and receivables are recognized in the profit or loss.

AFS Financial Assets
AFS financial assets 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 financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets 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 statement of financial position.

Equity investments classified as AFS financial assets that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the profit or loss. Dividends earned on holding AFS financial assets 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 profit and loss.

This accounting policy relates to the Group's investment in NOW Telecom.

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.

Other financial liabilities are recognized at fair value of the consideration received less directly attributable transaction costs. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any related issue costs, discount or premium. This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Due to related parties", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Creditable Withholding Taxes (CWTs)
CWTs, included under "Other current assets" account in the consolidated statement of financial position, are amount withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve months are classified as current asset. CWTs are stated at NRV.

Input Value-added Tax (VAT)
Input VAT represents the VAT due or paid on purchases of goods and services that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services. Input VAT is stated at net realizable value. An allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

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.

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.

Impairment of Financial Assets

Carried at Amortized Cost

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

AFS Financial Assets Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that does not have quoted price in an active market and that is not carried at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the unquoted equity instrument and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset such impairment loss shall not be reversed.

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 profit or loss.

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 profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investment in 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 are similar to those necessary to determine control over subsidiaries.

The Group's investment 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 or is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax. When the Group's share of losses exceeds the Group's interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group have an obligation or have made payments on behalf of the investee. The consolidated financial statements of the associate are 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 and its carrying value, then recognizes the loss as "Equity in net earnings of an associate" in profit or loss.

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 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.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of property and equipment consists of purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment if the recognition criteria are met.

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

	Years
Transportation equipment	5
Office equipment	2
Furniture and fixtures	2

Leasehold improvements are depreciated over their useful lives of five (5) years or the term of the lease, whichever is shorter.

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

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

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

The computer software is amortized on a straight-line basis over its estimated useful economic life of three (3) years and is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software is available for use. The amortization period and the amortization method for the computer software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated a changes in accounting estimates. The amortization expense is recognized in "Depreciation and amortization" account in the consolidated statement of income.

Impairment of Nonfinancial Assets
Property and Equipment and Other 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. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive 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 profit or loss.

Investment in Associate
After the application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investment in associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investment in associate and the carrying cost and recognizes the amount as a reduction of the "Equity in net earnings of an associate" account in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds the Group's interest in an associate, the carrying amount of the investment, including long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group have an obligation or have made payments on behalf of the investee.

Common Stock
The Group has issued capital stocks that 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.

Deficit
The amount included in deficit includes profits and losses attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Deposit for Future Stock Subscription
Deposit for future stock subscription represents the amount received that will be applied as payment in exchange for a fixed number of the Group's own equity instruments. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (a) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (b) the proposed increase was filed with the SEC as of financial reporting date; otherwise, the deposit is classified as a liability.

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. Revenues that falls in this category includes sales of software licenses.

Service, Marketing, Management and Consultancy Fees
Fees are recognized when the related services have been rendered. Revenues that falls in this category include IT Manpower and Resource Augmentation, and Broadband services.

Interest
Interest income is recognized as interest accrues using the effective interest 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 the services are used or the expenses are incurred.

Cost of Sales
Cost of sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer upon delivery. This pertains to the cost of software licenses sold.

Cost of Services
Cost of services are direct costs incurred in relation to service revenues. This mainly consists of outside services and advertising and promotions.

General and Administrative Expenses
General and administrative expenses consist of expenses incurred in the direction and general administration of day-to-day operation of the Group and are generally recognized when the services are used or the expenses arise.

Taxes
Current Tax
Current 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 Tax
Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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 and carry forward benefits of unused tax credits in the form of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 as of the reporting date.

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

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 Leases
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessor. Lease payments under an operating lease are recognized as an expense on straight-line bases over the terms of the lease.

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

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

The Group determines the functional currency for each entity within the Group and items included in the financial statements of each entity are measured using that functional currency. For subsidiary whose functional currency is different from the presentation currency, the Group translates the results of their operations and financial position into the presentation currency. As at the financial reporting date, the assets and liabilities presented (including comparatives) are translated into the presentation currency at the closing rate of exchange prevailing at the financial reporting date while the capital stock and other equity balances are translated at historical rates of exchange. The income and expenses for the profit or loss presented (including comparatives) are translated at the exchange rates at the dates of the transactions, where determinable, or at the weighted average rate of exchange during the reporting period. The exchange differences arising on the translation to the presentation currency are recognized as a separate component of equity under the "Cumulative translation adjustment" account in the consolidated statement of financial position.

The functional currency of the Group's subsidiaries is Philippine Peso, except for JSIT which is US dollar.

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 profit or loss, net of any reimbursement.

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.

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.

Segment Reporting
For management purposes, the Group's operating segments are organized and managed separately according to the nature of the services offered.

The Group's identified operating segments are consistent with the segments reported to the BOD, which is the Group's chief operating decision maker. Financial information on the operating segments are presented in Note 18.

Events After the Financial Reporting Date
Events after the financial reporting date that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. 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 estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Significant Influence over an Associate

The Group considers its 50% equity interest in Softweb Consulting, Inc. (Softweb) as investment in an associate. Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of the Group over Softweb. The Group has two (2) representatives out of the five (5) members of the board. Thus, the Group has determined that it has significant influence, but no control nor joint control, over the financial and operating policy decisions over Softweb.

Operating Lease - Group as Lessee

The Group has entered into a commercial property lease on its office. Based on an evaluation of the terms and conditions of the lease agreement, there will be no transfer of ownership of assets to the Group at the end of the lease term. The Group has determined that all significant risks and rewards of ownership are retained by the lessor. Thus the lease are classified as operating lease.

Finance Lease Commitments - Group as Lessee

The Group has entered into leases of transportation equipment. The Group has determined that these lease arrangements (i.e. lease term is for the major part of the economic useful life of the asset) are finance leases since the significant risks and rewards of ownership related to these properties are transferred to the Group from the date of the lease agreement.

Estimates

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

Recoverability of Investment in NOW Telecom, Inc.

The Group assesses at each reporting date whether there is any objective evidence that the investment in NOW Telecom is impaired. The Group has determined that NOW Telecom's continuing losses over the past several years is an objective evidence that the investment may no longer be recoverable.

When there is objective evidence of impairment, the Group is required to determine the recoverable amount of the investment, which is the sum of the (i) market value of comparable radio frequencies, and the (ii) present value of estimated future cash flows that can be generated by frequencies with no comparable market value.

i. *Market value of comparable radio frequencies*

   Market value of comparable frequencies is the estimated market value of the radio frequencies owned by NOW Telecom based on the implied price per MHzPop of the most recent comparable market transaction involving buy-outs of entities with radio frequencies.

ii. *Present value of estimated future cash flows generated by radio frequencies with no comparable market value*

   The key assumptions used by the Group in determining the present value of estimated future cash flows generated by frequencies with no comparable market value are as follows:

   - *Discount rate*
     The discount rate is based on the average percentage of the NOW Corporation's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk for which future estimates of cash flows have not been adjusted.

   - *Long-term growth rate*
     Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at the terminal value.

   - *Revenue growth rate*
     Revenue for the five-year period are forecasted using a growth rate which is within the industry outlook.

No impairment loss on the investment in NOW Telecom was recognized in 2016, 2015 and 2014. The carrying amount of the investment in NOW Telecom amounted to ₱1,289,278,350 as of December 31, 2016, 2015 and 2014 (see Note 6).

Impairment of Trade and Other Receivables, Due from Related Parties and Advances to Affiliates
The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the 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. The Group recognized provision on impairment loss on receivables and advances to affiliates amounting to ₱5,685,685, ₱4,033,832 and ₱6,619,366 in 2016, 2015 and 2014, respectively (see Notes 4, 6 and 14).

The aggregate carrying amounts of trade and other receivables, due from related parties and advances to affiliates amounted to ₱238,651,640, ₱185,331,501 and ₱152,318,209 as of December 31, 2016, 2015 and 2014, respectively (see Notes 4, 6 and 9).

Estimating Useful Lives of Property and Equipment and Computer Software
The Group estimates the useful lives of significant parts of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Depreciation and amortization charged to operations amounted to ₱2,214,569, ₱3,567,678 and ₱4,986,825 for the years ended December 31, 2016, 2015 and 2014, respectively (see Notes 7 and 14). The aggregate net book values of property and equipment and computer software amounted to ₱6,618,907, ₱3,381,639 and ₱6,710,239 as of December 31, 2016, 2015 and 2014, respectively (see Note 7).

Estimating Impairment of Property and Equipment, Computer Software and Creditable Withholding Taxes (CWTs)
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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the estimated recoverable amount represents the net fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. The Group recorded provision for impairment on CWTs of nil, ₱158,767 and ₱547,503 in 2016, 2015 and 2014, respectively (see Note 5). The aggregate carrying values of property and equipment, computer software and CWTs amounted to ₱10,429,873, ₱7,284,468 and ₱10,085,978 as of December 31, 2016, 2015 and 2014 respectively (see Notes 5 and 7).

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.

The Group did not recognize deferred income tax assets on temporary differences and carryforward benefits of unused NOLCO, unused tax credits from excess MCIT, and allowance for impairment on trade and other receivables totalling to ₱30,227,110, ₱74,849,543 and ₱152,272,986 as of December 31, 2016, 2015 and 2014, respectively (see Note 15). The Group believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

4. Trade and Other Receivables

	2016	2015	2014
Trade receivables:			
Related parties (see Note 9)	**₱101,220,311**	₱64,063,924	₱33,032,742
Third parties	**24,581,615**	27,446,304	20,935,910
Advances to officers and personnel	**1,355,118**	1,217,171	4,739,370
Others (see Note 9)	**2,211,771**	2,211,771	2,211,771
	129,368,815	94,939,170	60,919,793
Less allowance for impairment losses	**13,836,447**	13,150,762	9,116,930
	₱115,532,368	₱81,788,408	₱51,802,863

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 the outstanding loan receivable from Holy Cow Animation, Inc. (Holy Cow) (see Note 9).

Movement in allowance for impairment losses on trade receivables are as follows:

	2016	2015	2014
Balance at beginning of year	**₱13,150,762**	₱9,116,930	₱2,497,564
Provisions for the year (see Note 14)	**685,685**	4,033,832	6,619,366
Balance at end of year	**₱13,836,447**	₱13,150,762	₱9,116,930

5. Other Current Assets

	2016	2015	2014
CWT - net	**₱3,810,966**	₱3,902,828	₱3,375,738
Prepayments	**3,417,471**	162,431	118,678
Input VAT	**285,426**	–	480,515
Others	**145,350**	112,832	97,189
	₱7,659,213	₱4,178,091	₱4,072,120

CWT is net of allowance for impairment losses amounting to ₱706,270 as of December 31, 2016 and 2015, and ₱547,503 as of December 31, 2014.

Prepayments includes deferred transaction costs amounting to ₱3,360,000 incurred in 2016 in connection with the Company's planned offering of redeemable, convertible, non-participating and non-voting Peso-denominated preferred shares.

Movements in allowance for impairment loss on CWT are as follows:

	2016	2015	2014
Balance at beginning of year	**₱706,270**	₱547,503	₱–
Provisions for the year (see Note 14)	–	158,767	547,503
Balance at end of year	**₱706,270**	₱706,270	₱547,503

6. Investments and Advances

	2016	2015	2014
AFS financial asset	**₱1,289,278,350**	₱1,289,278,350	₱1,289,278,350
Advances to affiliates	**23,592,818**	28,592,818	28,592,818
	₱1,312,871,168	₱1,317,871,168	₱1,317,871,168

AFS Financial Asset

The Group has an investment in NOW Telecom classified as AFS financial asset.

On April 28, 2006, the Group entered into a MOA with NOW Telecom and five (5) controlling stockholders of NOW Telecom namely, Top Mega Enterprise, Ltd, Joycelink Holdings, Ltd, GHI, Emerald Investment, Inc., Food Camp Industries and Marketing, Inc. (the five companies are collectively referred to hereafter as NOW Telecom stockholders) to swap or exchange shares of stock.

Under the MOA, the Parent Company shall issue its shares in exchange for interest in NOW Telecom. The agreed upon swap of shares was subject to certain conditions, including necessary corporate and regulatory approvals. The MOA was approved by the Parent Company's stockholders on June 2, 2006.

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 Parent 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 Parent Company's primary purpose. Moreover, the Parent Company's stockholders also approved the proposal that the Parent Company shall only acquire 19% equity interest in NOW Telecom and not 97% as originally intended. As a result, the Parent Company acquired 2,656,580 NOW Telecom shares constituting 19% equity interest in NOW Telecom, in exchange for new shares of the Parent Company, with par value of ₱1 with an aggregate value of ₱1,289,278,350, or effectively, at a price of ₱485.32 per NOW Telecom share.

The Parent Company applied for an increase in its authorized capital stock to accommodate the foregoing transaction (see Note 12).

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 Parent Company.

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 the NOW Telecom shareholders.

As of December 31, 2016, 2015 and 2014, the Group's investment in NOW Telecom amounted to ₱1,289,278,350 and no impairment was recognized for the years then ended.

Investment in Associate and Advances to Affiliates

a. *Softweb Consulting, Inc.*

   Investment in associate

   On December 20, 2010, the Group entered into a subscription agreement with Softweb for an investment amounting to ₱6,000,000, representing a 50% interest in Softweb.

   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.

   As of December 31, 2016, 2015 and 2014, the Group's share in losses of Softweb have already exceeded the cost of investment. The Group only recognizes the loss to the extent of the cost of investment. Accordingly, the carrying amount of investment in Softweb as of December 31, 2016, 2015 and 2014 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, 2016, 2015 and 2014 amounted to ₱7,077,304, ₱7,265,533 and ₱6,618,855, respectively.

   Advances

   As of December 31, 2016, 2015 and 2014, advances to Softweb amounted to ₱5,000,000. This pertains to deposit for future stock subscription in Softweb pending the increase in its authorized capital stock.

   In 2016, the Group recognized provision for impairment loss on its advances to Softweb amounting to ₱5,000,000 (see Notes 9 and 14).

b. *Thumbmob Philippines, Inc. and Holy Cow Animation, Inc.*
The Group entered into agreements with Thumbmob and Holy Cow for the subscription of Thumbmob and Holy Cow shares. Holy Cow is a full service animation studio that produces 2D, 3D, Flash and HTML5 animation and special effect animation for the media and entertainment business. Thumbmob develops, publishes, and distributes games and applications for social networking and mobile environments. It serves brands, businesses, and institutions.

These are currently recorded under "Advances to affiliates" in the consolidated statement of financial position pending the increase in the authorized capital stock of the investee companies. The applications for the increase in authorized capital stock are not yet filed with the Philippine SEC as of April 12, 2017 (see Note 9).

7. Property and Equipment

2016

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Balances at beginning of year	₱4,937,446	₱15,169,919	₱11,440,365	₱1,393,888	₱32,941,618
Additions	–	690,358	4,761,479	–	5,451,837
Balances at end of year	4,937,446	15,860,277	16,201,844	1,393,888	38,393,455
Accumulated depreciation and amortization:					
Balances at beginning of year	3,944,495	14,795,001	9,863,876	1,087,739	29,691,111
Depreciation and amortization for the year (see Note 14)	500,722	396,752	1,082,072	108,118	2,087,664
Balances at end of year	4,445,217	15,191,753	10,945,948	1,195,857	31,778,775
Net book value	₱492,229	₱668,524	₱5,255,896	₱198,031	₱6,614,680

2015

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Balances at beginning of year	₱4,937,446	₱15,169,919	₱11,201,287	₱1,393,888	₱32,702,540
Additions	–	–	239,078	–	239,078
Balances at end of year	4,937,446	15,169,919	11,440,365	1,393,888	32,941,618
Accumulated depreciation and amortization:					
Balances at beginning of year	3,443,773	12,206,516	9,620,427	979,621	26,250,337
Depreciation and amortization for the year (see Note 14)	500,722	2,588,485	243,449	108,118	3,440,774
Balances at end of year	3,944,495	14,795,001	9,863,876	1,087,739	29,691,111
Net book value	₱992,951	₱374,918	₱1,576,489	₱306,149	₱3,250,507

2014

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Balances at beginning of year	₱4,856,570	₱15,169,919	₱11,201,287	₱1,393,888	₱32,621,664
Additions	80,876	–	–	–	80,876
Balances at end of year	4,937,446	15,169,919	11,201,287	1,393,888	32,702,540
Accumulated depreciation and amortization:					
Balances at beginning of year	2,430,199	9,056,032	9,107,349	871,503	21,465,083
Depreciation and amortization for the year (see Note 14)	1,013,574	3,150,484	513,078	108,118	4,785,254
Balances at end of year	3,443,773	12,206,516	9,620,427	979,621	26,250,337
Net book value	₱1,493,673	₱2,963,403	₱1,580,860	₱414,267	₱6,452,203

Transportation equipment includes vehicles under finance lease agreements (see Note 10). The aggregate carrying value of leased transportation equipment amounted to nil as of December 31, 2016 and 2015, and ₱801,146 as of December 31, 2014.

Cost of fully depreciated assets still in use amounted to ₱17,134,057, ₱16,757,039 and ₱4,679,362 as of December 31, 2016, 2015 and 2014, respectively.

8. Accounts Payable and Accrued Expenses

	2016	2015	2014
Trade payables:			
Third parties	**₱22,510,846**	₱32,363,996	₱20,736,026
Related parties (Note 9)	**18,808,706**	25,112,678	28,242,744
Accrued expenses:			
Interest (Note 9)	**59,903,586**	59,903,586	59,903,586
Others	**8,432,065**	8,826,227	7,908,775
Deferred output VAT	**9,265,728**	6,055,944	2,966,931
Withholding tax payable	**721,643**	664,630	638,551
	₱119,642,574	₱132,927,061	₱120,396,613

Trade payables from third parties are noninterest-bearing and are generally on 30 to 60 days' term. Trade and nontrade payables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

9. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group entered into transactions with related parties, principally consisting of the following:

a. The Parent Company grants interest-free advances to NOW Telecom for working capital and administrative requirements. Amounts owed by NOW Telecom as of December 31, 2016, 2015 and 2014 amounted to ₱51,346,501, ₱31,408,455 and ₱23,720,567, respectively.

b. On August 30, 2005, the Parent Company entered into a Loan Agreement with IBI for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% 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 further 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. On August 31, 2015, both parties agreed to extend the maturity of the loan to five (5) years ending August 30, 2020. Interest was retained at 3% per annum. Interest income amounted to ₱467,033 in 2016, 2015 and 2014 reflected as part of "Others" in revenue. As of December 31, 2016, 2015 and 2014, amounts owed by IBI, including interest, amounted ₱27,030,711, ₱26,563,678 and ₱26,096,645, respectively. IBI is an entity under common control.

c. As of December 31, 2016, 2015 and 2014 the Group has outstanding liabilities to Emerald Investment, Inc. (EII) amounting to ₱2,902,918 which arose from the Group's sub-lease agreement with EII that ended in 2011.

   Amounts owed by EII as of December 31, 2016, 2015 and 2014 is ₱40,848.

d. On January 1, 2013, the Parent Company renewed its service agreement with KPSC for a period of four (4) years beginning January 1, 2013 to December 31, 2016. On January 3, 2017, the Parent Company renewed its service agreement with KPSC for a period of five (5) years beginning January 3, 2017 to January 2, 2022.

   Under the service agreement, KPSC shall provide consultancy and manpower services depending on the services specifically required by the Group. Amounts owed to KPSC, in relation to the service agreement, amounted to ₱15,450,244, ₱19,719,161 and ₱26,207,689 as of December 31, 2016, 2015 and 2014, respectively.

   The Group's administrative and management functions, including key management personnel, are being handled by personnel of KPSC.

   Outside services incurred by the Group for the provision of key management personnel services that are provided by KPSC amounted to ₱6,176,177, ₱6,858,809, and ₱5,829,249 in 2016, 2015 and 2014, respectively.

On January 31, 2017, both parties mutually agreed to terminate the service agreement following the change in the business operation of the Group.

e. Due 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.

   On January 22, 2015, Velarde, Inc. agreed to convert its advances amounting to ₱200,000,000 into equity interest in the Parent Company for 200,000,000 common shares with a par value of ₱1. It was further agreed that the remaining balances and subsequent advances from Velarde, Inc. shall no longer be subject to interest and shall be due on demand (see Note 12).

   Interest expense booked as an additional amounts owed to related party amounted to nil in 2016 and 2015 and ₱17,756,021 in 2014.

   On April 29, 2016, the Parent Company's BOD approved the conversion into equity of the advances from Velarde, Inc. amounting to ₱264,000,000 at a conversion price of ₱1.22 per share computed on the volume-weighted average price of the Parent Company's shares for a 30-day trading period ended April 14, 2016. On June 2, 2016, the stockholders of the Parent Company approved the said increase in the Parent Company's authorized capital stock.

   On June 20, 2016, additional advances were incurred from Velarde, Inc, through the latter's payment of the loans payable to bank on behalf of the Parent Company amounting to ₱44,500,000 (see Note 11).

   Outstanding accrued interest presented as part of the "Accounts payable and accrued expenses" amounted to ₱59,903,586 as of December 31, 2016, 2015 and 2014 (see Note 8). Due to Velarde, Inc. presented as part of "Due to related parties" amounted to ₱68,322,816, ₱223,458,035 and ₱394,167,083 as of December 31, 2016, 2015 and 2014, respectively.

f. The Group charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees charged to Softweb amounted to nil in both 2016 and 2015, and ₱4,800,000 in 2014 reflected as part of "Others" in revenue. Payments are due within 5 days upon receipt of invoice. Management fees charged to Velarde, Inc. amounted to ₱240,000 in 2016, 2015 and 2014 reflected as part of "Others" in revenue.

   The Group has outstanding trade receivables to Velarde, Inc. amounting to ₱1,440,000, ₱1,200,000 and ₱960,000 as of December 31, 2016, 2015 and 2014, respectively.

g. The Group entered into a non-interest bearing loan agreement with Porteon Electric Vehicles, Inc. (Porteon). As of December 31, 2016, 2015 and 2014, the outstanding amount due from Porteon Electric Vehicles, Inc. amounted to ₱2,160,300 which is due on demand.

h. On January 1, 2011, the Group entered into a sublease contract with I-College Philippines, Inc. (I-College) for the period November 1, 2011 to May 31, 2012 with a monthly rental fee of ₱77,526. The term of the lease can be renewed upon mutual consent of both parties. The most recent renewal of this sublease agreement is for a period of three (3) years from November 1, 2014 to October 31, 2017. All other terms and conditions of the sublease agreement dated January 1, 2011 remain in full force.

Rent expense incurred by the Group amounted to ₱930,313 in 2016, 2015 and 2014. In connection with this, the related due to I-College amounted to ₱4,806,612, ₱3,876,300 and ₱2,945,987 as of December 31, 2016, 2015 and 2014, respectively.

i. The Group sells IBM licenses to Softweb, an associate. Sales of IBM license to Softweb amounted to ₱5,412,232, ₱12,088,054 and ₱2,792,846 in 2016, 2015 and 2014.

j. The Group entered into agreements with Thumbmob, Holy Cow and Softweb for the subscription of their respective shares. Please see Note 6 for detailed discussion.

k. In January 2015, the Parent Company entered into two separate one (1) year service agreements with GHT Network, Inc. (GHT) and News and Entertainment Network, Inc. (Newsnet) to provide bandwidth services to its customers. The Parent Company provided the infrastructure build-up and technology design and consultancy. Service revenue from GHT and Newsnet amounted to ₱10,000,000 each in 2015 reflected as part of "Service fees" in revenue.

l. *Infrastructure build-up and technical services*
In 2016, the Group entered into contracts with GHT, Newsnet and NOW Telecom whereas the Group will provide project management services, design and planning services and installation services covering up to 10 major network hubs for a total contract price of ₱45,000,000 each. Right to receive payments arise upon acceptance of GHT, Newsnet and NOW Telecom of completed hubs. Payments are due upon receipt of invoice. Total of six hubs were completed for GHT and Newsnet in 2016. Service revenue recognized in 2016 amounts to ₱15,000,000 each for GHT and Newsnet. Service revenue recognized in 2016 for the technical service related to Rohill TetraNode System provided by the Group to NOW Telecom amounts to ₱7,500,000.

m. *Technology consultancy*
Included in the contract entered in 2016, the Parent Company will provide technology consultancy services for a period of ten (10) years with an annual fee of ₱450,000 each for GHT and Newsnet. Service revenue recognized in 2016 amounts to ₱450,000 each for GHT and Newsnet.

n. *Value-added services (VAS)*
In 2015, the Parent Company entered into three (3) separate agreements with NOW Telecom, GHT and Newsnet (the Parties), wherein the Parties mutually agreed to collaborate and interconnect their respective networks in order for the Parent Company to provide VAS to the public such as cloud hosting services, virtual private network, multimedia content and program services, online game services, cloud-based multimedia conferencing services, web hosting and cloud-based mail and messaging services (VAS contracts).

On December 5, 2016, the Parties agreed to amend Chapter 5 of their VAS contracts to add provision on revenue sharing from the broadband revenue.

On December 23, 2016, the Parties further agreed to amend their VAS contracts to include additional fees from actual usage of bandwidth and other provision on charging to the Parent Company on a cost-plus margin arrangement.

Related parties	Category	Year	Transaction amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Trade and other payables (Note 8)	Advances to affiliates (Note 6)	Terms	Conditions
Shareholders										
Velarde, Inc.	**Advances**	**2016**	**₱73,626,954**	**₱–**	**₱–**	**₱68,322,816**	**₱–**	**₱–**	**On demand**	**Unsecured**
		2015	170,709,048	–	–	223,458,035	–	–	On demand	Unsecured
		2014	45,143,729	–	–	394,167,083	–	–	On demand	Unsecured
	Management fee	**2016**	**240,000**	**–**	**1,440,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	240,000	–	1,200,000	–	–	–	On demand	Unsecured, no impairment
		2014	240,000	–	960,000	–	–	–	On demand	Unsecured, no impairment
	Interest	**2016**	**–**	**–**	**–**	**–**	**59,903,586**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	–	59,903,586	–	On demand	Unsecured
		2014	17,756,021	–	–	–	59,903,586	–	On demand	Unsecured
GHI	**Advances**	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	95,536	2,035,055	–	On demand	Unsecured
		2014	–	–	–	95,536	2,035,055	–	On demand	Unsecured
EII	**Advances**	**2016**	**–**	**40,848**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	40,848	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	40,848	–	–	–	–	On demand	Unsecured, no impairment
	Leases	**2016**	**–**	**–**	**–**	**2,902,918**	**–**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	2,902,918	–	–	On demand	Unsecured
		2014	–	–	–	2,902,918	–	–	On demand	Unsecured
Affiliates										
NOW Telecom	**Advances**	**2016**	**2,704,687**	**51,346,501**	**–**	**878,208**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	7,816,287	31,408,455	–	749,806	–	–	On demand	Unsecured, no impairment
		2014	5,320,038	23,720,567	–	621,407	–	–	On demand	Unsecured, no impairment
	Services	**2016**	**7,500,000**	**–**	**8,400,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	–	–	–	–	–	–	–
		2014	–	–	–	–	–	–	–	–

(Forward)

Related parties	Category	Year	Transaction amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Trade and other payables (Note 8)	Advances to affiliates (Note 6)	Terms	Conditions
KPSC	**Advances**	**2016**	**₱–**	**₱204,708**	**₱–**	**₱–**	**₱–**	**₱–**	**On demand**	**Unsecured**
		2015	2,160	204,708	–	–	–	–	On demand	Unsecured
		2014	–	202,548	–	–	–	–	On demand	Unsecured
	Outside services	**2016**	**50,716,312**	**–**	**–**	**–**	**15,450,244**	**–**	**On demand**	**Unsecured**
		2015	46,656,791	–	–	–	19,719,161	–	On demand	Unsecured
		2014	44,796,755	–	–	–	26,207,689	–	On demand	Unsecured
IBI	**Advances**	**2016**	**–**	**15,567,752**	**–**	**–**	**–**	**–**	**Due within 5 years**	**Unsecured, no impairment**
		2015	–	15,567,752	–	–	–	–	Due within 5 years	Unsecured, no impairment
		2014	–	15,567,752	–	–	–	–	On demand	Unsecured, no impairment
	Interest	**2016**	**467,033**	**11,462,959**	**–**	**–**	**–**	**–**	**Due within 5 years**	**Unsecured, no impairment**
		2015	467,033	10,995,926	–	–	–	–	Due within 5 years	Unsecured, no impairment
		2014	467,033	10,528,893	–	–	–	–	On demand	Unsecured, no impairment
Asian Institute of Journalism and Communication	**Advances**	**2016**	**1,039**	**471,061**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	2,661	470,022	–	–	–	–	On demand	Unsecured, no impairment
		2014	233,228	472,683	–	–	–	–	On demand	Unsecured, no impairment
Paradiso Verde, Inc.	**Advances**	**2016**	**–**	**–**	**–**	**–**	**3,358,462**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	–	3,358,462	–	On demand	Unsecured
		2014	–	–	–	7,940,563	–	–	–	Unsecured
	Services	**2016**	**–**	**–**	**–**	**605,212**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	368,195	–	–	605,212	–	–	On demand	Unsecured, no impairment
		2014	973,407	–	–	973,407	–	–	On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Year	Transaction amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Trade and other payables (Note 8)	Advances to affiliates (Note 6)	Terms	Conditions
Porteon	**Loans**	**2016**	**₱–**	**₱2,160,300**	**₱–**	**₱–**	**₱–**	**₱–**	**On demand**	**Unsecured, no impairment**
		2015	–	2,160,300	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	2,160,300	–	–	–	–	On demand	Unsecured, no impairment
Newsnet	**Advances**	**2016**	**4,669,416**	**10,736,960**	**–**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	947,948	6,067,544	–	–	–	–	On-demand	Unsecured, no impairment
		2014	5,119,596	5,119,596	–	–	–	–	–	–
	Services	**2016**	**15,450,000**	**–**	**28,504,000**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	10,000,000	–	11,200,000	–	–	–	On-demand	Unsecured, no impairment
		2014	–	–	–	–	–	–	–	–
GHT	**Advances**	**2016**	**1,177,121**	**6,177,301**	**–**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	180	5,000,180	–	–	–	–	On-demand	Unsecured, no impairment
		2014	5,000,000	5,000,000	–	–	–	–	–	–
	Services	**2016**	**15,450,000**	**–**	**28,504,000**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	10,000,000	–	11,200,000	–	–	–	–	Unsecured, no impairment
		2014	–	–	–	–	–	–	–	–
Holycow	**Loans**	**2016**	**–**	**–**	**2,211,771**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	–	2,211,771	–	–	–	On demand	Unsecured, no impairment
		2014	–	–	2,211,771	–	–	–	On demand	Unsecured, no impairment
	Interest	**2016**	**–**	**156,000**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	156,000	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	156,000	–	–	–	–	On demand	Unsecured, no impairment
	Advances	**2016**	**–**	**–**	**–**	**–**	**–**	**9,248,449**	**On demand**	**Unsecured, no impairment**
		2015	–	–	–	–	–	9,248,449	On demand	Unsecured, no impairment
		2014	–	–	–	–	–	9,248,449	On demand	Unsecured, no impairment
Thumbmob	**Advances**	**2016**	**–**	**–**	**–**	**–**	**–**	**14,344,369**	**On demand**	**Unsecured, no impairment**
		2015	–	–	–	–	–	14,344,369	On demand	Unsecured, no impairment
		2014	–	–	–	–	–	14,344,369	On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Year	Transaction amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Trade and other payables (Note 8)	Advances to affiliates (Note 6)	Terms	Conditions
I-College	**Advances**	**2016**	**₱–**	**₱720**	**₱–**	**₱–**	**₱–**	**₱–**	**On demand**	**Unsecured, no impairment**
		2015	–	720	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	–	–	–	–	–	–	–
	Lease	**2016**	**930,313**	–	–	**4,806,612**	–	–	**On demand**	**Unsecured**
		2015	930,313	–	–	3,876,300	–	–	On demand	Unsecured
		2014	930,313	–	–	2,945,987	–	–	On demand	Unsecured
Associate										
Softweb	**Advances**	**2016**	–	**487,344**	**2,380,860**	**4,816**	–	–	**On demand**	**Unsecured**
		2015	1,389,259	2,163,820	2,380,860	6,390,573	–	5,000,000	On demand	Unsecured
		2014	4,403,554	8,239,341	2,380,860	1,704,311	–	5,000,000	On demand	Unsecured
	Loans	**2016**	–	**714,000**	–	–	–	–	**On demand**	**Unsecured, no impairment**
		2015	–	714,000	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	714,000	–	–	–	–	On demand	Unsecured, no impairment
	Sales	**2016**	**5,412,232**	–	**16,401,451**	–	–	–	**On demand**	**Unsecured, no impairment**
		2015	12,088,054	–	22,493,064	–	–	–	On demand	Unsecured, no impairment
		2014	2,792,846	–	14,101,882	–	–	–	On demand	Unsecured, no impairment
	Management fee	**2016**	–	–	**15,590,000**	–	–	–	**On demand**	**Unsecured, no impairment**
		2015	–	–	15,590,000	–	–	–	On demand	Unsecured, no impairment
		2014	4,800,000	–	15,590,000	–	–	–	On demand	Unsecured, no impairment
		2016		**₱99,526,454**	**₱103,432,082**	**₱77,520,582**	**₱78,712,292**	**₱23,592,818**		
		2015		₱74,950,275	₱66,275,695	₱238,078,380	₱85,016,264	₱28,592,818		
		2014		₱71,922,528	₱35,244,513	₱411,351,212	₱88,146,330	₱28,592,818		

Summary of related party transactions affecting consolidated statements of income:

Related parties	Category	Year	Revenues	Cost of sales and services	General and administrative expenses
Velarde Inc.	**Management Fee**	**2016**	**₱240,000**	**₱–**	**₱–**
		2015	240,000	–	–
		2014	240,000	–	–
	Interest	**2016**	**–**	**–**	**–**
		2015	–	–	–
		2014	–	–	17,756,021
NOW Telecom	**Services**	**2016**	**7,500,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
	Cost of data services	**2016**	**–**	**779,715**	**–**
		2015	–	–	–
		2014	–	–	–
Newsnet	**Services**	**2016**	**15,450,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
	Cost of data services	**2016**	**–**	**1,696,912**	**–**
		2015	–	–	–
		2014	–	–	–
GHT	**Services**	**2016**	**15,450,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
IBI	**Interest**	**2016**	**467,033**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
KPSC	**Outside services**	**2016**	**–**	**43,226,619**	**7,489,693**
		2015	–	40,054,599	6,602,192
		2014	–	41,662,334	3,134,421
Softweb	**Sales**	**2016**	**5,412,232**	**–**	**–**
		2015	12,088,054	–	–
		2014	2,792,846	–	–
	Management fee	**2016**	**–**	**–**	**–**
		2015	–	–	–
		2014	4,800,000	–	–
I-College	**Lease**	**2016**	**–**	**–**	**930,313**
		2015	–	–	930,313
		2014	–	–	930,313
		2016	**₱44,519,265**	**₱45,703,246**	**₱8,420,006**
		2015	₱12,328,054	₱40,054,599	₱7,532,505
		2014	₱7,832,846	₱41,662,334	₱21,820,755

10. 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. 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 are amounted to nil as of December 31, 2016 and 2015 and ₱675,433 as of December 31, 2014, respectively.

	2014
Within one year	₱701,747
After one year but not more than five (5) years	–
Total minimum lease obligations	701,747
Less interest portion	–
Present value of minimum lease obligations	701,747
Less current portion	701,747
Noncurrent portion	₱–

Interest expense related to the lease commitments amounted to nil, ₱26,314 and ₱252,359 in 2016, 2015 and 2014, respectively.

The Group has entered into operating lease agreements in respect of its office premises. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognized in the statement of comprehensive income are included under "Rental".

a. On January 1, 2011, the Group entered into a sublease contract with I-College Philippines, Inc. (I-College) for the period November 1, 2011 to May 31, 2012 with a monthly rental fee of ₱77,526. The term of the lease can be renewed upon mutual consent of both parties. The Group renewed its sublease agreement for the periods of three (3) years from November 1, 2014 to October 31, 2017. All other terms and conditions of the sublease agreement dated January 1, 2011 remain in full force.

b. On April 16, 2013, the Group entered into a contract of lease with monthly rental fee of ₱40,000 and security deposit amounting to ₱120,000 equivalent to three (3) months rental fee. The term of the lease can be renewed upon mutual consent of both parties. In March 2016, the parties agreed to terminate the said agreement.

   The Group entered into a new lease contract commencing on April 1, 2016 to March 31, 2017 renewable upon mutual agreement of the parties. Based on the lease agreement, monthly rental payment was set at ₱47,368.

Future minimum lease payment related to the lease as of December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Within one year	**₱917,364**	₱930,312	₱930,312
After one year but not more than five years	–	775,260	1,705,572
	₱917,364	₱1,705,572	₱2,635,884

11. Loans Payable

Metropolitan Bank and Trust Company and Bank of Makati loan

In September 2012, the Parent Company has availed of short term loan from Metropolitan Bank and Trust Company (MBTC) amounting to ₱44,500,000. In December 2013, the said loan was extended for another two (2) years with a maturity date of January 2016. The loan bears interest ranging from 2.40% and 2.12% to 2.30% in 2016 and 2015, respectively. Interest is payable every 30 days.

On March 1, 2016, the Parent Company availed of a ₱44,500,000 loan from the Bank of Makati to settle the loan from MBTC. The new loan, which will mature on March 1, 2018, has a term of 2.03 years and bears a fixed interest rate of 1.75% per annum.

On June 20, 2016, the loan from Bank of Makati was paid by Velarde, Inc. on behalf of the Parent Company (see Note 9).

Interest expense on the said loan amounted to ₱571,355 and ₱1,027,530 in 2016 and 2015, respectively.

BDO loan

On December 22, 2016, the Parent Company availed a chattel mortgage loan amounting to ₱564,800 from BDO Unibank, Inc. for the purchase of a vehicle, which serves as the property mortgaged. The new loan requires sixty monthly repayments of ₱11,754 until November 23, 2021, has a term of five (5) years and bears an interest rate of 9.44% per annum.

The current and noncurrent portions of the loan amounted to ₱87,426 and ₱449,107, respectively, as of December 31, 2016.

Interest expense recognized on this loan amounted to ₱1,607 in 2016.

12. Capital Stock

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

	Number of shares registered	Issue/offer price	Date of approval
Common shares	28,000,000	₱1.00	July 30, 2003
Common shares	1,289,278,350	₱1.00	December 10, 2008

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 May 12, 2010, the BOD and stockholders of the Parent Company approved proposal to increase its authorized capital stock from 1,320,000,000 shares to 5,320,000,000 shares at ₱1 par value per shares. On November 7, 2014, the BOD and stockholders of the Parent Company approved the amendment in the proposal to increase the authorized capital stock up to 2,700,000,000 shares. On January 22, 2015, the Parent Company's BOD approved a new proposal to supersede previous increase in authorized capital stock plans. It was decided for the Parent Company to apply for an increase of 800,000,000 shares at ₱1 par value per share.

(i.e., 1,320,000,000 shares to 2,120,000,000 shares). The SEC approved the Parent Company's application to increase its authorized capital stock on December 17, 2015.

As discussed in Note 9, Velarde, Inc. subscribed to 200,000,000 shares of the Parent Company and this subscription was settled through the conversion of its advances to the Group amounting to ₱200,000,000.

On April 29, 2016, the Parent Company's BOD approved the increase in the authorized capital stock of the Parent Company from 2,120,000,000 shares at ₱1 par value per share to 3,000,000,000 shares at ₱1 par value per share. The BOD also approved the conversion into equity of the advances from Velarde, Inc. amounting to ₱264,000,000 at a conversion price of ₱1.22 per share computed based on the volume-weighted average price of the Parent Company's shares for a 30-day trading period ended April 14, 2016. On June 2, 2016, the stockholders of the Parent Company approved the said increase in the Parent Company's authorized capital stock.

On July 22, 2016, the Parent Company filed with the SEC its application for the approval of the proposed increase in its authorized capital stock. The SEC has not yet approved the Parent Company's application as of April 12, 2017. As of December 31, 2016, the Group presented the deposit for future stock subscription amounting to ₱264,000,000 as part of equity as the Parent Company has met all the conditions required by the SEC under Financial Reporting Bulletin No. 06 for such regulation.

On September 2, 2016, the Parent Company's BOD approved the amendment in the Articles of Incorporation of the Parent Company to reclassify 60,000,000 unissued common shares to redeemable, convertible, non-participating and non-voting Peso-denominated preferred shares, with or without detachable warrants, with a par value of ₱1 per share. On November 8, 2016, the stockholders of the Parent Company representing two-thirds of its outstanding capital stock approved the amendment.

On January 6, 2017, the Parent Company filed an application with the SEC for the approval of the said amendment. This was approved by the SEC on January 10, 2017.

Information on the Group's authorized capital stock is as follows:

	Number of shares		
	2016	2015	2014
Authorized capital stock			
Common stock, ₱1 par value:			
Balance at beginning of the year	**2,120,000,000**	1,320,000,000	1,320,000,000
Increase during the year	–	800,000,000	–
Balance at end of the year	**2,120,000,000**	2,120,000,000	1,320,000,000

Movements in the outstanding capital stock are as follows:

	Number of shares		
	2016	2015	2014
Common stocks issued			
Balance at beginning of the year	**1,517,278,350**	1,317,278,350	1,317,278,350
Issuances during the year	–	200,000,000	–
Balance at end of the year	**1,517,278,350**	1,517,278,350	1,317,278,350

	Amount		
	2016	2015	2014
Common stocks issued			
Balance at beginning of the year	**₱1,517,278,350**	₱1,317,278,350	₱1,317,278,350
Issuances during the year	**–**	200,000,000	–
Balance at end of the year	**₱1,517,278,350**	₱1,517,278,350	₱1,317,278,350

13. Costs of Sales and Services

	2016	2015	2014
Cost of service:			
Outside services	**₱43,226,619**	₱40,054,599	₱43,119,594
Cost of data services	**3,204,621**	–	–
Cost of sales	**10,215,702**	35,545,753	18,956,087
	₱56,646,942	₱75,600,352	₱62,075,681

14. General and Administrative Expenses

	2016	2015	2014
Outside services	**₱7,489,693**	₱6,602,192	₱3,134,421
Provision for impairment loss on:			
Advances to affiliate (Note 6)	**5,000,000**	–	–
Trade and other receivables (Note 4)	**685,685**	4,033,832	6,619,366
Other current assets (Note 5)	**–**	158,767	547,503
Entertainment, amusement and recreation	**4,706,499**	2,430,290	1,270,642
Advertising and promotion	**4,524,439**	–	–
Communication	**4,109,582**	3,563,207	2,817,637
Professional fees	**2,918,643**	632,437	1,379,090
Office supplies	**2,441,318**	1,020,425	877,500
Depreciation and amortization (Note 7)	**2,214,569**	3,567,678	4,986,825
Rental (Note 10)	**1,728,730**	1,681,446	3,045,309
Transportation and travel	**1,702,362**	1,586,867	1,866,773
Salaries and other employee benefits	**1,301,160**	756,000	820,646
Taxes and licenses	**1,068,636**	2,473,879	867,666
Repairs and maintenance	**1,008,292**	353,177	348,738
Utilities	**982,225**	804,573	1,309,979
Insurance	**258,661**	271,898	269,943
Others	**1,260,642**	1,275,162	480,749
	₱43,401,136	₱31,211,830	₱30,642,787

15. Income Taxes

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

	2016	2015	2014
Statutory income tax at 30%	**₱1,407,532**	₱2,023,297	(₱11,506,157)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**3,169,352**	2,393,591	6,304,039
Movement of unrecognized deferred income tax assets	**(2,382,463)**	(2,905,716)	5,332,385
Interest income subjected to final tax	**(1,157)**	(2,282)	(1,655)
	₱2,193,264	₱1,508,890	₱128,612

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

The temporary differences are as follows:

	2016	2015	2014
Allowance for impairment on trade and other receivables	**₱13,836,447**	₱13,150,762	₱9,116,930
NOLCO	**14,677,498**	60,886,089	142,821,516
MCIT	**1,713,165**	812,692	334,540
	₱30,227,110	₱74,849,543	₱152,272,986

As of December 31, 2016, NOLCO and MCIT can be claimed as deduction from future taxable income and income tax liabilities, respectively, are as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2016	2019	₱565,624	₱903,836
2015	2018	1,593,769	680,717
2014	2017	12,518,105	128,612
		₱14,677,498	₱1,713,165

The following are the movements in NOLCO and MCIT:

	2016	2015	2014
NOLCO:			
Balances at beginning of year	**₱60,886,089**	₱142,821,516	₱213,170,570
Additions	**565,624**	1,593,769	12,518,105
Application	**(13,432,651)**	(13,548,316)	(2,373,187)
Expirations	**(33,341,564)**	(69,980,880)	(80,493,972)
Balances at end of year	**₱14,677,498**	₱60,886,089	₱142,821,516

	2016	2015	2014
MCIT:			
Balances at beginning of year	**₱812,692**	₱334,540	₱308,987
Additions	**903,836**	680,717	128,612
Expirations	**(3,363)**	(202,565)	(103,059)
Balances at end of year	**₱1,713,165**	₱812,692	₱334,540

16. **Basic/Diluted EPS**

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

	2016	2015	2014
Net income (loss) attributable to equity holders of the Parent (a)	**₱2,500,433**	₱5,236,704	(₱38,482,470)
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	**1,517,278,350**	1,317,278,350	1,317,278,350
Basic/dilutive earnings (loss) per share (a/b)	**₱0.0016**	₱0.0040	(₱0.0292)

As of December 31, 2016, 2015 and 2014, the Parent Company does not have any dilutive potential common shares.

17. **Financial Instruments**

The Group's financial instruments are composed of cash, trade and other receivables, due from related parties, AFS financial assets, accounts payable and accrued expenses, due 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 summarize the maturity profile of the Group's financial liabilities as of December 31, 2016, 2015 and 2014, 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.

2016

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash	₱4,396,419	₱–	₱–	₱4,396,419
Trade and other receivables	85,276,916	30,255,452	–	115,532,368
Due from related parties	72,495,743	–	27,030,711	99,526,454
	₱162,169,078	₱30,255,452	₱27,030,711	₱219,455,241
Financial liabilities:				
Accounts payable and accrued expenses*	₱109,655,203	₱–	₱–	₱109,655,203
Due to related parties	77,520,582	–	–	77,520,582
Future interest on loans payable	–	52,015	103,487	155,502
Loans payable	–	87,426	449,107	536,533
	₱187,175,785	₱139,441	₱552,594	₱187,867,820

*Except government payables

2015

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash	₱15,979,672	₱–	₱–	₱15,979,672
Trade and other receivables	52,921,911	28,866,497	–	81,788,408
Due from related parties	48,386,597	–	26,563,678	74,950,275
	₱117,288,180	₱28,866,497	₱26,563,678	₱172,718,355
Financial liabilities:				
Accounts payable and accrued expenses*	₱126,206,487	₱–	₱–	₱126,206,487
Due to related parties	238,078,380	–	–	238,078,380
Future interest on loans payable	–	778,750	–	778,750
Loans payable	–	44,500,000	–	44,500,000
	₱364,284,867	₱45,278,750	₱–	₱409,563,617

*Except government payables

2014

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash	₱2,006,757	₱–	₱–	₱2,006,757
Trade and other receivables	32,861,441	18,941,422	–	51,802,863
Due from related parties	71,922,528	–	–	71,922,528
	₱106,790,726	₱18,941,422	₱–	₱125,732,148
Financial liabilities:				
Accounts payable and accrued expenses*	₱88,395,668	₱30,488,522	₱–	₱118,884,190
Due to related parties	17,950,584	–	393,400,628	411,351,212
Future interest on loans payable	–	941,175	2,043,106	2,984,281
Loans payable	–	–	44,500,000	44,500,000
	₱106,346,252	₱31,429,697	₱439,943,734	₱577,719,683

*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 Group 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 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.

The following tables show the aging analysis of the Group's financial assets as of December 31, 2016, 2015 and 2014.

	2016			
	Nether past due nor impaired	Past due but not impaired	Past due and impaired	Total
Financial assets:				
Cash	₱4,396,419	₱–	₱–	₱4,396,419
Trade and other receivables	12,100,286	103,432,082	13,836,447	129,368,815
Due from related parties	27,030,711	72,495,743	–	99,526,454
	₱43,527,416	₱175,927,825	₱13,836,447	₱233,291,688

	2015			
	Nether past due nor impaired	Past due but not impaired	Past due and impaired	Total
Financial assets:				
Cash	₱15,979,672	₱–	₱–	₱15,979,672
Trade and other receivables	15,512,713	66,275,695	13,150,762	94,939,170
Due from related parties	26,563,678	48,386,597	–	74,950,275
	₱58,056,063	₱114,662,292	₱13,150,762	₱185,869,117

	2014			
	Nether past due nor impaired	Past due but not impaired	Past due and impaired	Total
Financial assets:				
Cash	₱2,006,757	₱–	₱–	₱2,006,757
Trade and other receivables	16,558,350	35,244,513	9,116,930	60,919,793
Due from related parties	26,096,645	45,825,883	–	71,922,528
	₱44,661,752	₱81,070,396	₱9,116,930	₱134,849,078

As at December 31, 2016, 2015 and 2014, 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
Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are

classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. The Group considers its financial assets that are neither past due nor impaired amounting to ₱43,527,416, ₱58,056,063 and ₱44,661,752 as of December 31, 2016, 2015 and 2014 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.

The Group has impaired receivables amounting to ₱13,836,447, ₱13,150,762 and ₱9,116,930 as of December 31, 2016, 2015 and 2014, respectively.

Fair Value 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, Due from Related Parties, Accounts Payable and Accrued Expenses, Loans Payable and Due to Related Parties

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

AFS Financial Assets

Unquoted equity security is carried at cost 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 Due from Related Party

The fair value of noncurrent amounts due from related party were based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 5.9% and 5.7% as of December 31, 2016 and 2015, respectively (Level 3). The fair value of noncurrent amounts due from related party amounted to ₱24,144,646 and ₱22,742,540 as of December 31, 2016 and 2015, respectively. The carrying value of noncurrent amounts due from related party amounted to ₱27,030,711 and ₱26,563,678 as of December 31, 2016 and 2015, respectively.

Noncurrent Amounts Due to Related Party

The fair value of noncurrent amounts due to related party was based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 2.4% as of December 31, 2014 (Level 3). As of December 31, 2014, the fair value and carrying value of noncurrent amounts due to related party amounted to ₱367,096,703 and ₱394,167,083, respectively.

Noncurrent Loans Payable

The carrying amount of the loans payable as of December 31, 2016 and 2014 are estimated using the discounted cash flow methodology with the applicable credit-adjusted risk-free rates of 5.9% and 4.8%, respectively (Level 3). The fair value of noncurrent loans payable amounted to ₱337,186 and ₱42,471,963 as of December 31, 2016 and 2014, respectively. The carrying value of noncurrent loans payable amounted to ₱449,107 and ₱44,500,000 as of December 31, 2016 and 2014, respectively.

Capital Management

The Group considers the equity presented in the consolidated statement of financial positon as its core capital. The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and stable capital ratios in order to support its business and maximize shareholders' value.

The 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 Group has complied with the minimum public ownership as of December 31, 2016, 2015 and 2014.

The Group considers the equity attributable to the equity holders of the Parent Company as presented in the consolidated statement of financial position as its core capital.

As of December 31, 2016, 2015 and 2014, the Group was able to meet its capital management objectives.

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 Manpower and Resource Augmentation - provides deployment of IT professionals to clients.
- Software Licenses and Services - provides high value products and services to clients.
- Broadband Services - provides high-speed broadband service of up to 700 Mbps 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:

	2016			
	IT Manpower and Resource Augmentation	Software Licenses and services	Broadband services	Total
Service fees	₱43,412,235	₱41,230,381	₱5,981,141	₱90,623,757
Sales	–	13,048,685	–	13,048,685
Others	2,465	1,762,076	–	1,764,541
Total revenue	₱43,414,700	₱56,041,142	₱5,981,141	₱105,436,983
Costs of sales and services	₱36,610,332	₱16,831,989	₱3,204,621	₱56,646,942
General and administrative expenses	6,368,634	37,032,502	–	43,401,136
Provision for income tax	1,289,428	903,836	–	2,193,264
Net income (loss)	(941,749)	663,738	2,776,520	2,498,509
Other information				
AFS financial asset	–	1,289,278,350	–	1,289,278,350
Capital expenditures	133,928	970,358	4,347,551	5,451,837
Segment assets	2,456,753	1,541,218,536	3,442,034	1,543,675,289
Segment liabilities	32,070,469	162,269,220	–	194,339,689
Depreciation and amortization	39,062	1,269,990	905,517	2,214,569

	2015		
	IT Manpower and Resource Augmentation	Software Licenses and services	Total
Service fees	₱39,421,080	₱27,686,947	₱67,108,027
Sales	–	47,331,371	47,331,371
Others	5,524	948,959	954,483
Total revenue	₱39,426,604	₱75,967,277	₱115,393,881
Costs of sales and services	₱33,674,327	₱41,926,025	₱75,600,352
General and administrative expenses	6,946,021	24,265,809	31,211,830
Provision for income tax	828,173	680,717	1,508,890
Net income (loss)	(2,150,137)	7,385,570	5,235,433
Other information			
AFS financial asset	–	1,289,278,350	1,289,278,350
Capital expenditures	–	239,078	239,078
Segment assets	13,446,324	1,484,905,761	1,498,352,085
Segment liabilities	53,782,558	361,722,883	415,505,441
Depreciation and amortization	625,520	2,942,158	3,567,678

	2014		
	IT Manpower and Resource Augmentation	Software Licenses and services	Total
Service fees	₱38,580,090	₱8,451,386	₱47,031,476
Sales	–	21,235,363	21,235,363
Others	4,386	5,508,163	5,512,549
Total revenue	₱38,584,476	₱35,194,912	₱73,779,388
Costs of sales and services	₱33,312,486	₱28,763,195	₱62,075,681
General and administrative expense	5,980,615	24,662,172	30,642,787
Provision for income tax	–	128,612	128,612
Net loss	959,336	37,523,134	38,482,470
Other information			
AFS financial asset	–	1,289,278,350	1,289,278,350
Capital expenditures	–	80,876	80,876
Segment assets	13,587,236	1,440,961,467	1,454,548,703
Segment liabilities	52,828,004	524,095,254	576,923,258
Depreciation and amortization	874,338	4,112,487	4,986,825

In 2016, two (2) customers accounted for 14.65% each of total revenue from infrastructure build-up and technical services. These revenues were reported under "Software licenses and services" segment. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2015 and 2014.

19. Notes to Consolidated Statements of Cash Flows

In 2015, noncash financing activity consists of debt to equity transaction from Velarde, Inc.'s advances amounting to ₱200,000,000 for 200,000,000 Parent Company common shares with a par value of ₱1 which has been approved on December 17, 2015 (see Note 12).

In 2016, the noncash financing activity involves the conversion of ₱264,000,000 advances from Velarde, Inc. to the Parent Company's common shares. This is currently presented under equity as deposit for future stock subscription pending the approval by SEC of the Parent Company's application for increase in authorized capital stock (see Note 9).

20. Subsequent Events

a.) On January 25, 2017, Velarde, Inc. entered into a subscription agreement with i-Professional for the subscription of 6,750 common shares of the latter, representing 25% interest, thereby reducing the ownership of the Parent Company in i-Professional from 100% to 75%.

b.) On January 3, 2017, the Parent Company renewed its service agreement with KPSC for a period of (5) years beginning on the same day it was renewed. Subsequently, on January 31, 2017, both parties mutually agreed to terminate the service agreement following the change in the business operations of the Group.

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
NOW Corporation
Unit 5-I, 5th Floor, OPL Building
100 C. Palanca Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of NOW Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 12, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and Securities and Exchange Commission Memorandum Circular No.11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 5908703, January 3, 2017, Makati City

April 12, 2017

NOW CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
TABLE OF CONTENTS
DECEMBER 31, 2016

NOW CORPORATION
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Sharebased Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9*	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9*		✓	
	Amendment to PFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities	✓		
	Amendments regarding the sale or contribution of assets between investor and its associate or joint venture			✓
	Amendments regarding the application of the consolidation exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments regarding the accounting for acquisitions of an interest in a joint operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments regarding the application of the consolidation exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts		✓	
PFRS 15	Revenue from Contracts with Customers*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments resulting from the disclosure initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments bringing bearer plants into the scope of PAS 16			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
PAS 19 (Amended)	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*			✓
PAS 28 (Amended)	Amendments regarding the application of the consolidation exception*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 32	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets Recoverable amount disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 39	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting			✓
	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in PAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when PFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards and interpretations marked with an asterisk (*) refer to those standards and interpretations that are effective after December 31, 2016.

The standards and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2016 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Now Corporation is responsible for the preparation and fair presentation of the financial statements including the attached therein for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless either management intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the Stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Thomas Aquino

Thomas G. Aquino
Chairman

Mel V. Velarde
President and Chief Executive Officer

Vicente Penanueva
Chief Financial Officer

Signed this 12th day of April 2017

SUBSCRIBED AND SWORN TO ME BEFORE THIS ____ DAY OF APR 1 7 2017 IN CITY OF MAKATI METRO MLA PHILIPPINES AFFIANT EXHIBITING HIS/HER COMPETENT ID ____
ISSUED IN ____ ON ____

DOC. No. 170
PAGE No. 35
BOOK No. 182
SERIES OF 2017

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. ...
IBP #...
PTR #...
S.C. Roll No. ...
MCLE Compliance No. ...
Unit 301 3rd Flr. ...
101 Urban Avenue ... Pio del Pilar
Makati City

NOW Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2016

Financial Assets	Name of Issuing entity and association of each issue	Amount shown in the Balance Sheet	Income received and accrued
Cash	N/A	4,396,419	-
Trade and other receivables	N/A	115,523,368	-
Due from related parties	N/A	99,526,454	467,033
TOTAL		219,446,241	467,033

NOW Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related parties)
December 31, 2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Accounts Written-off	Current	Not Current	Balance at End of Period
Officers and Personnel	1,118,396	246,189	9,467	40,000	1,315,118		1,315,118

NOW Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2016

Name of Subsidiary	Balance at Beginning of Period	Additions	Amounts Collected/Offseting	Current	Not Current	Balance at End of Period
NOW Corporation						
Porteon Sea, Inc.	3,443	-		3,443	-	3,443
i-Resource Consulting International, Inc.	451,812	14,631,603	(14,988,127)	95,288	-	95,288
Softrigger	9,640,497	-	-	9,640,497	-	9,640,497
i-Professional Search Network, Inc.	2,816,063	1,732,533	(105,063)	4,443,533	-	4,443,533
J-Span IT Services, Inc.	4,700,917	-	-	4,700,917	-	4,700,917
i-Professional Search Network, Inc.						
NOW Corporation	450,000	-	-	450,000	-	450,000
i-Resource Consulting International, Inc.						
i-Professional Search Network, Inc.	45,064	17,308		62,372	-	62,372
Total	18,107,796	16,381,444	(15,093,190)	19,396,050	-	19,396,050

NOW Corporation and Subsidiaries
Schedule D - Intangible assets (Software)
December 31, 2016

Description	Balance at Beginning of Period	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes: Additions/(Deductions)	Balance at End of Period
Computer Software	171,657	-	126,905	-	-	44,752

Note:
The amounts charged to cost and expenses represent regular amortization and is credited through an accumulated amortization account.

NOW Corporation and Subsidiaries
Schedule E - Long term (Loans payable)
December 31, 2016

Title of Issue and Type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of loans payable" in the balance sheet	Amount shown under caption "Loans payable - net of current portion" in the balance sheet	Interest rates (effective/nominal)	Amount of periodic payments	Number of periodic payments	Maturity date
BDO loan (chattel mortgage loan)	564,800	87,426	449,107	10.7874% / 9.4444%	11,754.00	60 monthly payments	November 23, 2021

NOW Corporation and Subsidiaries

Schedule F - Indebtedness to Related Parties (see Note 9 in the consolidated notes to FS)

December 31, 2016

Name of related party	Balance at beginning of period	Balance at end of period
NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

NOW Corporation and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statement is filed	**Title of issue of each class of securities guaranteed**	**Total amount guaranteed and outstanding**	**Amount owned by person for which statement is filed**	**Nature of guarantee**
NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

ANNEX "C"

NOW Corporation and Subsidiaries

Income Statement

March 31, 2017

	Jan 1 to Mar 31 (YTD)
REVENUES	
Management Fee	810,000
Service Revenue	9,776,743
Sales	–
Broadband	3,994,793
Software license	5,075,095
Others	13,077,353
Interest	461
Miscellaneous receipts	–
	32,734,445
OPERATING EXPENSES	–
Cost of services	8,318,393
Cost of sales	–
Broadband	946,489
Software license	4,084,202
Others	28,069
Salaries and other benef	3,291,661
Outside Services	4,039,584
Rental	424,959
Taxes and licenses	2,700,964
Professional fees	540,000
Light and water	494,746
Transportation and travé	1,482,381
Advertsing and promotion	233,035
Fuel and Oil	85,064
Depreciation and amortiz	849,258
Dues and subscription	–
Repairs and maintenance	48,080
Communication	1,086,758
Commission	161,779
Representation	1,373,474
Office supplies	779,464
Training and development	446,429
Director's fees	100,000
Others	4,641
Insurance	50,073
Interest	13,964
Security services	138,214
Equity in Net Loss of As	–
Loss on Remeasurement of	–
Allowance for doubtful	–
Impairment Loss	–
Provision for impairment	–
Forex	–
Miscellanous	–
	31,721,690
INCOME (LOSS) BEFORE INCOME T	1,012,755
PROVISION FOR INCOME TAX	–

Current	-
Deferred	-
	-
NET INCOME (LOSS)	1,012,755
Currency Translation Adjustmen	-
TOTAL COMPREHENSIVE INCOME	1,012,755
NONCONTROLLING INTEREST IN NET INCOME	

NOW Corporation and Subsidiaries

Balance Sheet

March 31, 2017

	Jan. 1 to Mar 31 2017 CONSOLIDATED
FINANCIAL POSITION	
Assets	
Current Assets	
Cash	3,523,082
Trade and other receivables	120,524,104
Due from related parties	147,706,762
Other current assets	25,904,762
Total Current Assets	**297,658,710**
	-
Non Current Assets	-
Investment in shares of stocks	1,297,570,830
Due from related parties - net of current	#REF!
Property and equipment - net	5,693,508
Goodwill	-
Other noncurrent assets	588,274
Total Noncurrent Assets	**#REF!**
Total Assets	**#REF!**
Laibilities and Equity	
Current Liabilities	
Trade and other payables	118,703,508
Due to related parties	133,835,179
Finance lease obligation	883,828
Other current liabilities	-
Loans payable	-
Income tax payable	-
Total Current Liabilities	**253,422,515**
	-
Non Current Liabilities	-
Loans payable - net of current portion	-
Finance lease obligation - net of current portion	-
Due to related parties - net of current portion	3,680,509
Deposit for future subscription	-
Total Non Current Liabilities	**3,680,509**
Total Liabilities	**257,103,024**
	-
Equity	-
Common equity	1,517,278,350
Additional paid-in capital	-
Subscribed capital	264,000,000
Subscription receivables	-
Retained earnings	(430,996,092)
Revaluation	1,165,493
Net Income	(1,908,417)
Comrehensive income (loss)	-

Noncontrolling interest	(5,131,036)
Total Equity	**1,344,408,298**
Total Liabilities and Equity	**1,601,511,322**

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

ANNEX "D"

CERTIFICATION

I, **ANGELINE L. MACASAET**, of legal age, Filipino and with office address at Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca corner Dela Rosa and Gil Streets, Legaspi Village, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the duly appointed and incumbent Corporate Secretary of **NOW CORPORATION** ("NOW" or the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 5-I, 5th floor, OPL Building, 100 C. Palanca corner Dela Rosa and Gil Streets, Legaspi Village, Makati City.

2. None of the directors and officers of the Corporation works for or is employed by any government office, tribunal, body or agency.

3. This Certificate is being issued to attest to the truth of the foregoing facts and for purposes of complying with the requirements of the Securities and Exchange Commission in connection with the filing of the Corporation's Definitive Statement (SEC Form 20-IS).

IN WITNESS WHEREOF, I have hereunto affixed my signature this 8th day of May 2017 at Makati City.

ANGELINE L. MACASAET
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 8th day of May 2017, affiant who is personally known to me exhibiting to me:

Affiant		Competent Evidence of Identity	
		Type of ID	ID Number and Expiry Date
Angeline L. Macasaet	1	Passport	Passport No. EB 7716586 valid until 21 March 2018
	2	TIN	206-405-727

Doc No. 428;
Page No. 87;
Book No. 183;
Series of 2017.

ATTY. [illegible]
NOTARY PUBLIC
Until [illegible]
Appt. No. [illegible] Makati City
IBP #[illegible] for 2017 [illegible]
PTR #[illegible] Jan. [illegible] 2017 Makati
S.C. Roll No. [illegible]
MCLE Compliance No. V-[illegible] March 2016
Unit 301 3rd Flr. [illegible]
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

1

C O V E R   S H E E T

A	1	9	9	6	0	0	1	7	9

C O M P A N Y   N A M E

N O W   C O R P O R A T I O N

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

U N I I   5 - I ,   5 T H   F L O O R ,   O P L   B U I L D I N G ,   1 0 0   C .   P A L A N C A   S T .   C O R N E R   D E L A   R O S A   A N D   G I L   S T R E E T S ,   L E G A S P I   V I L L A G E ,   M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 -	S E C	N / A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
	(632) 750-0461 / (632) 750-0211 / (632) 750-0224	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
44	N/A	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number

Atty. Angeline L. Macasaet	**angeline.macasaet@nowcorp.com**	**750-0211**	**N/A**

CONTACT PERSON's ADDRESS
Unit 5-I, 5th Floor, OPL Building 100 C. Palanca Street cor. Dela Rosa Streets, Legaspi Village, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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, 2017**

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 Street, Legaspi Village, Makati City, Philippines

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

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

N/A

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 **1,517,278,350**

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

Item1. Financial Statement

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash	5,414,544	P=4,396,419
Trade and Other receivables	116,599,897	115,532,368
Amount owed to related parties	77,073,462	72,495,743
Other current assets	28,939,981	7,659,213
Total Current Assets	228,027,884	200,083,743

Noncurrent Assets		
Investments in shares of stocks	1,289,278,350	1,289,278,350
Advances from Affiliates	23,592,818	23,592,818
Due from related parties – net of current	27,030,711	27,030,711
Property and equipment – net	5,687,928	6,614,680
Other noncurrent assets - net of accumulated amortization of Computer software amounting to P1,123,371 and P966,466 As of December 31, 2016 and 2015, respectively	588,274	434,987
Total Noncurrent Assets	1,346,178,081	1,346,951,546
TOTAL ASSETS	1,574,205,965	P=1,547,035,289
LIABILITIES AND EQUITY		
Current Liabilities		
Loans Payable	65,570	P=87,426
Accounts payable and accrued expenses	123,036,349	119,642,574
Due to related parties	100,306,584	77,520,582
Total Current Liabilities	223,408,503	197,250,582
Noncurrent Liabilities		
Loans Payable	449,107	449,107
Total Noncurrent Liabilities	449,107	449,107
Total Liabilities	223,857,610	197,699,689
Equity Attributable to Equity Holders of the Parent		
Common	1,517,278,350	1,517,278,350
Deposit for future stock subscription	264,000,000	264,000,000
Retained Earnings	(427,950,225)	(430,450,658)
Revaluation	1,140,435	1,140,435
Net Income	1,012,755	2,500,433
Comprehensive income (loss)	-	-
Non-controlling Interest	(5,132,960)	(5,132,960)
Total Equity	1,350,348,355	1,349,335,600
TOTAL LIBILITIES AND EQUITY	1,574,205,965	P= 1,547,035,289

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
REVENUES		
Service Revenue	19,776,743	90,623,757
Sales	12,147,242	13,048,685
Others	810,460	1,764,541
		105,436,983

	32,734,445	
COST AND EXPENSES		
Cost of services	8,318,393	46,431,240
Cost of sales	5,666,968	10,215,702
Salaries and other benefits	3,291,661	1,301,160
Outside Services	4,039,584	7,489,693
Rental	424,959	1,728,730
Taxes and licenses	2,700,964	1,068,636
Professional fees	540,000	2,918,643
Light and water	494,746	982,225
Transportation and travel	1,482,381	1,702,362
Advertising and promotion	233,035	4,524,439
Depreciation and amortization	849,258	2,214,569
Repairs and maintenance	48,080	1,008,292
Communication	1,086,768	4,109,582
Representation	1,373,474	4,706,499
Office supplies	779,464	2,441,318
Others	327,918	1,384,812
Insurance	50,073	258,661
Interest	13,964	572,962
Provision on impairment loss on receivables	-	5,685,685
Foreign exchange losses(gains)	-	-
Miscellaneous	-	-
	31,721,690	100,745,210
INCOME (LOSS) BEFORE INCOME TAX	1,012,755	4,691,773
PROVISION FOR INCOME TAX		
Current	-	2,193,264
Deferred	-	
NET INCOME (LOSS)	1,012,755	2,498,509
Currency Translation Adjustment – Gain (Loss)	-	(9,553)
TOTAL COMPREHENSIVE INCOME	1,012,755	2,488,956
Non-controlling interests	-	-
	1,012,755	2,488,956
Basic /Diluted Earnings (Loss) Per Share	0.0007	0.0016

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
NET INCOME (LOSS) ATRRIBUTABLE TO:		
Equity holders of the Parent	1,012,755	2,498,509
Non-controlling interests		
	1,012,755	2,498,509
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	(9,553)
TOTAL COMPREHENSIVE INCOME (LOSS)	1,012,755	2,488,956
ATTRIBUTABLE TO:		
Equity holders of the parent	1,012,755	2,490,880
Non-controlling interest		(1,924)
	1,012,755	2,488,956

See accompanying Notes to Financial Statements

NOW CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	March 31, 2017 (Unaudited)	December 31, 2016 (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	1,517,278,350	1,517,278,350

Issuance		
Balance at end of the year	1,517,278,350	1,517,278,350
Deposit for future stock subscription	264,000,000	264,000,000
RETAINED EARNINGS		
Balance at beginning of the year	(427,950,225)	(430,450,658)
Net Income (loss)	1,012,755	2,500,433
Deficit	(426,937,470)	(427,950,225)
Cumulative Translation Adjustment	1,140,435	1,140,435
	(425,797,035)	(426,809,790)
Non-controlling equity	(5,132,960)	(5,132,960)
Balance at end of year	(430,929,995)	(431,942,750)
Total Equity	1,350,348,355	1,349,335,600

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Income (Loss) before income tax	1,012,755	4,691,773
Adjustments for:		
Interest and Other charges(Note 9 & 11)	13,964	572,962
Depreciation and amortization (Note 7 & 14)	849,258	2,214,569
Provision on Impairment loss on receivables (Note 4 and 14)	-	5,685,685
Unrealized foreign exchange loss	-	0
Loss on disposal of property and equipment	-	0
Interest income	(461)	(470,984)
Equity in net losses of associates (Note 8)	-	-
Operating income (loss) before working capital changes	1,875,516	12,694,005
Decrease (increase) in:		
Trade and other receivables	(5,645,248)	(34,439,198)
Other current assets	(21,280,766)	(3,481,122)

Increase (decrease)		
Accounts payable and accrued expenses	3,393,775	(13,284,487)
Net cash generated from (used in) operations	(21,656,723)	(38,510,802)
Interest received	-	(2,193,264)
Income taxes paid	-	(572,806)
Interest paid	-	3,951
Net cash flows from (used in) operating activities	(21,656,723)	(41,272,921)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Due to related parties	(4,577,719)	(24,109,146)
Other noncurrent assets	(153,287)	(227,928)
Acquisition of property and equipment (Note 7)	926,752	(5,451,837)
Investments	-	-
Net cash flows from (used in) investing activities	(3,804,254)	(29,788,911)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	26,479,102	58,942,202
Proceeds from loan availment		45,036,377
Payment of loans payable	-	-
Payment of finance lease	-	(44,500,000)
Net cash flows from financing activities	26,479,102	59,478,579
EFFECT OF EXCHANGE RATE CHANGES ON CASH		2,371
NET INCREASE (DECREASE) IN CASH	1,018,125	(11,583,253)
CASH AT BEGINNING OF THE YEAR	4,396,419	15,979,672
CASH AT END OF THE YEAR		4,396,419
	5,414,544	

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	YTD January to March	
	2017	**2016**
ASSETS		
Current Assets		

Cash	5,414,544	1,985,552
Trade and Other receivables	116,599,897	85,009,732
Amount owed to related parties	77,073,462	76,212,667
Other current assets	28,939,981	10,551,941
Total Current Assets	228,027,884	173,759,892
Noncurrent Assets		
Investments in shares of stocks	1,289,278,350	1,289,278,350
Advances from affiliates	23,592,818	12,792,480
Due from related parties – net of current	27,030,711	15,567,752
Property and equipment – net	5,687,928	3,444,656
Other noncurrent assets - net of accumulated amortization of Computer software amounting to P996,466 and P869,562 As of December 31, 2015 and 2014, respectively	588,274	286,306
Total Noncurrent Assets	1,346,178,081	1,321,369,544

Equity Attributable to Equity Holders of the Parent		
Common	1,517,278,350	1,517,278,350
Deposit for future stock subscription	264,000,000	-
Retained Earnings	(427,950,225)	(430,466,164)
Revaluation	1,140,435	1,164,222
Net Income	1,012,755	(3,454,702)
Comprehensive income (loss) **Non-controlling Interest**	–	–
Total Equity	1,350,348,355	1,079,390,670
	(5,132,960)	(5,131,036)
TOTAL ASSETS	1,574,205,965	1,495,129,436

LIABILITIES AND EQUITY Current Liabilities		
Loans Payable	65,570	44,500,000
Current portion of obligations under finance lease	-	-
Accounts payable and accrued expenses	123,036,349	116,133,166
Due to related parties	100,306,584	24,909,485
Total Current Liabilities	223,408,503	185,542,651

Noncurrent Liabilities		
Loans payable-net of current portion	449,107	-
Due to to related parties – net of current portion	-	230,196,115
Total Noncurrent Liabilities	449,107	230,196,115
Total Liabilities	223,857,610	415,738,766
TOTAL LIBILITIES AND EQUITY	1,574,205,965	1,495,129,436

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	YTD January to March	
	2017	**2016**
REVENUES		
Service Revenue	19,776,743	7,131,945
Sales	12,147,242	3,165,252
Others	810,461	1,008,760
	32,734,445	11,305,957
COST AND EXPENSES		
Cost of services	8,318,393	8,350,584
Cost of sales	5,666,968	1,316,534
Salaries and other benefits	3,291,661	115,652
Outside Services	4,039,584	1,936,617
Rental	424,959	392,499
Taxes and licenses	2,700,964	443,620
Professional fees	540,000	243,400
Light and water	494,746	227,579
Transportation and travel	1,482,381	57,316
Advertising and promotion	233,035	35,401
Depreciation and amortization	849,258	43,580
Repairs and maintenance	48,080	49,763
Communication	1,086,768	517,250
Representation	1,373,474	526,414
Office supplies	779,464	106,757
Others	327,918	194,272
Insurance	50,073	45,630
Interest	13,964	159,064
Provision on impairment loss on receivables	-	-
Foreign exchange losses(gains)	-	-
Miscellaneous	-	-
	31,721,690	14,761,932
INCOME (LOSS) BEFORE INCOME TAX	1,012,755	(3,455,975)

PROVISION FOR INCOME TAX	-	-
NET INCOME (LOSS)	1,012,755	(3,455,975)
Currency Translation Adjustment – Gain (Loss)	--	--
TOTAL COMPREHENSIVE INCOME	1,012,755	(3,455,975)
Non-controlling interests	-	-
	1,012,755	(3,455,975)
Basic /Diluted Earnings (Loss) Per Share	0.0007	(0.0023)

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	YTD January to March 2017	2016
NET LOSS ATRRIBUTABLE TO:		
Equity holders of the Parent	1,012,755	(3,455,975)
Non-controlling interests		
	1,012,755)	(3,455,975)
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	-
TOTAL COMPREHENSIVE LOSS	1,012,755	(3,455,975)
ATTRIBUTABLE TO:		
Equity holders of the parent	1,012,755	(3,455,975)
Non-controlling interest		
	1,012,755	(3,455,975)

See accompanying Notes to Financial Statements

NOW CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	YTD January 2017	16
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	1,517,278,350	1,517,278,350
Issuance		
Deposit for Future Stock Subscription		-

RETAINED EARNINGS			**Balance at end of the year**
Balance at beginning of the year	(427,950,225)	(430,450,659)	
Net Income (loss)	1,012,755	(3,455,975)	
	1,517,278,350		
	264,000,000	1,517,278,350	
Deficit	(426,937,470)	(433,906,634)	
Cumulative Translation Adjustment	1,140,435	1,149,988	
	(425,797,035)	(432,756,646)	
Non-controlling equity	(5,132,960)	(5,131,036)	
Balance at end of year	(430,929,995)	(437,887,680)	
Total Equity	1,350,348,355	1,079,390,670	

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YTD January to March	
	2017	**2016**
Income (Loss) before income tax	1,012,755	(3,455,975)
Adjustments for:		
Interest and Other charges(Note 9 & 11)	13,964	159,064
Depreciation and amortization (Note 7 & 14)	849,258	43,580
Provision on Impairment loss on receivables (Note 4 and 14)	_	_
Unrealized foreign exchange loss	_	_
Loss on disposal of property and equipment	_	_
Interest income	(461)	948,760
Provision on Impairment loss on other assets		
Equity in net losses of associates (Note 8)		
Operating income (loss) before working capital changes	1,875,516	(2,304,571)
Decrease (increase) in:		
Trade and other receivables	(5,645,248)	(3,221,324)
Other current assets	(21,280,766)	(6,373,850)
Increase (decrease)		

Accounts payable and accrued expenses	3,393,775	(16,793,895)
Net cash generated from (used in) operations	(21,656,723)	(28,693,640)
Interest received	-	948,760
Income taxes paid	-	
Interest paid	-	159,064
Net cash flows from (used in) operating activities	(21,656,723)	(27,585,816)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Due to related parties	(4,577,719)	(1,262,392)
Other noncurrent assets	(153,287)	47,658
Acquisition/Sale of property and equipment (Note 7)	926,752	(194,149)
Investments		
Net cash flows from (used in) investing activities	(3,804,254)	(1,408,883)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	26,479,102	15,000,579
Payment of loans payable		
Payment of finance lease	-	-
Net cash flows from financing activities	26,479,102	15,000,579
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
NET INCREASE (DECREASE) IN CASH	1,018,125	(13,994,120)
CASH AT BEGINNING OF THE YEAR	4,396,419	15,979,672
CASH AT END OF THE YEAR	5,414,544	1,985,552

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION

AND SUBSIDIARIES

AGING OF RECEIVABLES

	31-Mar-17	**31-Mar-16**
Current	13,624,820	4,548,611
1 -30 days past due	9,640,845	2,158,667
31 -60 days past due	919,523	534,465
61 -90 days past due	12,584,394	29,955
over 91 days past due	79,830,315	64,127,124

Total	116,599,897	71,398,822

NOW CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Corporate Background

NOW Corporation (formerly Information Capital Technology Ventures, Inc.; the Parent Company) started as a duly licensed investment house when it was incorporated on June 5, 1996 and registered in the Philippine Securities and Exchange Commission (SEC) as MF Shroder & Co., Inc. It was originally a wholly owned subsidiary of Amalgamated Investment Bancorporation (AIB) and was initially engaged in the purchase and sale of securities.

In 2000, AIB expanded the services of the Parent Company by establishing an information technology (IT) enabled facility geared towards servicing the private equity needs of small and medium enterprises by matching them online with direct equity investors. Hence, the Parent Company's Article of Incorporation (AOI) was changed to expand its primary purpose of engaging in the business of securities brokerage through the use of IT.

On July 23, 2002, the Parent Company's Board of Directors (BOD) and stockholders approved the offer of up to 28,000,000 shares from the Parent Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Parent Company was approved by the Philippine Stock Exchange (PSE) and SEC on June 11, 2003 and July 30, 2003, respectively. The Parent Company was listed in the PSE on July 23, 2003 with an issue/share price of P=1.00 per share.

In 2008, the PSE approved the application for the listing of the additional 1,289,278,350 common shares with an issue/share price of P=1.00 per share to cover the share-for-share swap transactions with NOW Telecom, Inc. (NOW Telecom) shareholders (see Note 6).

In July 2009, the SEC approved the further amendment of the Parent Company's AOI which provides for the change in its primary purpose of engaging in the securities brokerage business to a technology, media and telecommunication (TMT) business.

In August 2010, the SEC approved the amendment of the Parent Company's AOI, removing the pre-emptive rights of shareholders with respect to subscription to any class of the Parent Company's shares of stock.

On December 16, 2010, the Parent Company's BOD approved the amendment in its AOI to include secondary purpose. The inclusion of the secondary purpose was subsequently ratified by the Parent Company's stockholders on July 2, 2011 and was approved by the SEC on August 25, 2011. The additional secondary purposes include:

a. Providing professional services and manpower in the field of TMT;
b. Acting as commission agent, manufacturer's representative, or principal for the purpose, sale, distribution, manufacture, assembly, import or export of any and all classes of materials, merchandise, supplies and commodities of every kind and nature; and

c. Engaging in the business of general and retail merchants, traders, factors, agents, manufacturers, processors, dealing in or with any and all classes of materials, merchandise, supplies and commodities of every kind and nature.

On December 21, 2016, the Parent Company's BOD approved the filing of the Registration Statement, Listing Application and the terms and conditions and such other relevant acts in connection with the intended public offering of preferred shares of the Parent Company. Change in Corporate Name

The SEC approved the Parent Company's application to change its name from MF Shroder & Co., Inc. to Cashrounds, Inc. in January 2002 and Information Capital Technology Ventures, Inc. in September 2006.

Subsequently, on August 16, 2013, the SEC approved the change in the Parent Company's name to its current corporate name, NOW Corporation.

Certificates and Memorandum of Understanding and Agreements

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 shares of the Parent Company at an aggregate purchase price of P=74,395,000. The sale of the Parent Company's shares became effective on August 20, 2005 resulting to a 66.67% ownership interest of GHI in the Parent Company.

On March 10, 2006, the National Telecommunication Commission (NTC), through the efforts of IMX Broadband Inc. (IBI), issued a Certificate of Registration (CoR) to the Parent Company to allow it to operate and maintain value added services (VAS) and voice over internet protocol (VOIP) services in all cities and municipalities nationwide.

On July 31, 2015, the Parent Company entered into an agreement with NOW Telecom, an authorized telecommunications carrier which provides nationwide trunk radio and cellular mobile services pursuant to the Provisional Authority by the NTC, wherein both parties mutually agreed to collaborate and interconnect their respective networks in order to provide VAS to the public (see Note 9).

On November 27, 2015, NTC issued CoR to the Parent Company that will authorized it as a VAS provider for services such as cloud hosting services, virtual private network, multimedia content and program services, online game services, cloud-based multimedia conferencing services, web hosting and cloud-based mail and messaging services. The CoR is valid for a period of five (5) years which will expire on November 26, 2020.

The Company's administrative and management functions, including key management personnel, are being handled by personnel of Knowledge Professionals Service Cooperative (KPSC) (see Note 9).

The Parent Company's registered address is Unit 5-I, 5th Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

Authorization for Issuance

In the March 29, 2017 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 Parent Company and its subsidiaries (collectively referred to herein as the Group) as of December 31, 2016, 2015 and 2014 and for the years then ended.

The consolidated financial statements of the Group as of December 31, 2016, 2015 and 2014 and for the years then ended were authorized for issue by the Chairman and President on April 12, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, including the available-for-sale (AFS) financial assets that are not quoted in an active market. The consolidated financial statements are presented in Philippine peso (P=), which is the Parent Company's functional currency. Amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as of December 31, 2016, 2015 and 2014 and for the years then ended:

	Year of Incorporation	Nature of Business	Percentage of Ownership		
			2016	2015	2014
J-Span IT Services, Inc. (JSIT)*	2011	Service	**100%**	100%	100%
Porteon SEA, Inc. (Porteon)*	2011	Manufacturing	**100%**	100%	100%
I-Resource Consulting International, Inc. (IRCII)	2011	Service	**100%**	100%	100%
I-Professional Search Network, Inc.(I-Professional)*	2012	Service	**100%**	100%	100%
Softrigger Interactive, Inc. (SII)*	2000	Service	**67%**	67%	67%

** Not yet started commercial operations as of December 31, 2016.*

All the subsidiaries were incorporated in the Philippines except for JSIT, which was incorporated in Japan.

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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 profit or loss and within equity in the consolidated financial position, separately, from the equity attributable to equity holders of the parent of the Group. Transactions with noncontrolling interests are accounted for as equity holders transactions. Any excess or deficit of consideration paid over the carrying amount of non-controlling interest acquired is recognized in equity of the Group.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1*, Presentation of Financial Statements* - Disclosure Initiative
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012-2014 cycle
- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- Amendment to PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Cash

Cash includes cash on hand and with banks.

Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position 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 reporting 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, heldto-maturity (HTM) investments or AFS financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014, 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 financial assets or designated at FVPL. This accounting policy relates to "Cash", "Trade and other receivables" and "Due from related parties" accounts in the consolidated statement of financial position.
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 method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment of loans and receivables are recognized in the profit or loss.

AFS Financial Assets

AFS financial assets 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 financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets 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 statement of financial position.

Equity investments classified as AFS financial assets that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the profit or loss. Dividends earned on holding AFS financial assets 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 profit and loss.

This accounting policy relates to the Group's investment in NOW Telecom.

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.

Other financial liabilities are recognized at fair value of the consideration received less directly attributable transaction costs. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any related issue costs, discount or premium. This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Due to related parties", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Creditable Withholding Taxes (CWTs)

CWTs, included under "Other current assets" account in the consolidated statement of financial position, are amount withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve months are classified as current asset. CWTs are stated at NRV.

Input Value-added Tax (VAT)

Input VAT represents the VAT due or paid on purchases of goods and services that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services. Input VAT is stated at net realizable value. An allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

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.

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.

<u>Impairment of Financial Assets</u>

Carried at Amortized Cost

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

AFS Financial Assets Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that does not have quoted price in an active market and that is not carried at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the unquoted equity instrument and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset such impairment loss shall not be reversed.

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 ‘passthrough’ 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 profit or loss.

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 profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investment in 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 are similar to those necessary to determine control over subsidiaries.

The Group's investment 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 or is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax. When the Group's share of losses exceeds the Group's interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group have an obligation or have made payments on behalf of the investee. The consolidated financial statements of the associate are 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 and its carrying value, then recognizes the loss as "Equity in net earnings of an associate" in profit or loss.

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 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.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of property and equipment consists of purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment if the recognition criteria are met.

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

	Years
Transportation equipment	5
Office equipment	2
Furniture and fixtures	2

Leasehold improvements are depreciated over their useful lives of five (5) years or the term of the lease, whichever is shorter.

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

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

Computer Software

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

The computer software is amortized on a straight-line basis over its estimated useful economic life of three (3) years and is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software is available for use. The amortization period and the amortization method for the computer software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated a changes in accounting estimates.
The amortization expense is recognized in “Depreciation and amortization” account in the consolidated statement of income.

Impairment of Nonfinancial Assets

Property and Equipment and Other 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. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive 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 profit or loss.

Investment in Associate

After the application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group’s investment in associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investment in associate and the carrying cost and recognizes the amount as a reduction of the “Equity in net earnings of an associate” account in the consolidated statement of comprehensive income.

When the Group’s share of losses exceeds the Group’s interest in an associate, the carrying amount of the investment, including long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group have an obligation or have made payments on behalf of the investee.

Common Stock

The Group has issued capital stocks that 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.

Deficit

The amount included in deficit includes profits and losses attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Deposit for Future Stock Subscription

Deposit for future stock subscription represents the amount received that will be applied as payment in exchange for a fixed number of the Group's own equity instruments. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (a) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (b) the proposed increase was filed with the SEC as of financial reporting date; otherwise, the deposit is classified as a liability.

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. Revenues that falls in this category includes sales of software licenses.

Service, Marketing, Management and Consultancy Fees

Fees are recognized when the related services have been rendered. Revenues that falls in this category include IT Manpower and Resource Augmentation, and Broadband services.

Interest

Interest income is recognized as interest accrues using the effective interest 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 the services are used or the expenses are incurred.

Cost of Sales

Cost of sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer upon delivery. This pertains to the cost of software licenses sold.

Cost of Services

Cost of services are direct costs incurred in relation to service revenues. This mainly consists of outside services and advertising and promotions.

General and Administrative Expenses

General and administrative expenses consist of expenses incurred in the direction and general administration of day-to-day operation of the Group and are generally recognized when the services are used or the expenses arise.

Taxes

Current Tax

Current 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 Tax

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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 and carry forward benefits of unused tax credits in the form of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 as of the reporting date.

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

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 Leases

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessor. Lease payments under an operating lease are recognized as an expense on straight-line bases over the terms of the lease.

Finance Lease Commitments - Group as Lessee

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

Foreign Currency Translations

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

The Group determines the functional currency for each entity within the Group and items included in the financial statements of each entity are measured using that functional currency. For subsidiary whose functional currency is different from the presentation currency, the Group translates the results of their operations and financial position into the presentation currency. As at the financial reporting date, the assets and liabilities presented (including comparatives) are translated into the presentation currency at the closing rate of exchange prevailing at the financial reporting date while the capital stock and other equity balances are translated at historical rates of exchange. The income and expenses for the profit or loss presented (including comparatives) are translated at the exchange rates at the dates of the transactions, where determinable, or at the weighted average rate of exchange during the reporting period. The exchange differences arising on the translation to the presentation currency are recognized as a separate component of equity under the "Cumulative translation adjustment" account in the consolidated statement of financial position.

The functional currency of the Group's subsidiaries is Philippine Peso, except for JSIT which is US dollar.

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 pretax 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 profit or loss, net of any reimbursement.

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.

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.

Segment Reporting

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the services offered.

The Group's identified operating segments are consistent with the segments reported to the BOD, which is the Group's chief operating decision maker. Financial information on the operating segments are presented in Note 18.

Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.
  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.
  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.
  PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model,

lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.
The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. 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.

<u>Judgments</u>

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

Determination of Significant Influence over an Associate

The Group considers its 50% equity interest in Softweb Consulting, Inc. (Softweb) as investment in an associate. Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of the Group over Softweb. The Group has two (2) representatives out of the five (5) members of the board. Thus, the Group has determined that it has significant influence, but no control nor joint control, over the financial and operating policy decisions over Softweb.

Operating Lease - Group as Lessee

The Group has entered into a commercial property lease on its office. Based on an evaluation of the terms and conditions of the lease agreement, there will be no transfer of ownership of assets to the Group at the end of the lease term. The Group has determined that all significant risks and rewards of ownership are retained by the lessor. Thus the lease are classified as operating lease.

Finance Lease Commitments - Group as Lessee

The Group has entered into leases of transportation equipment. The Group has determined that these lease arrangements (i.e. lease term is for the major part of the economic useful life of the asset) are finance leases since the significant risks and rewards of ownership related to these properties are transferred to the Group from the date of the lease agreement.

Estimates

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

Recoverability of Investment in NOW Telecom, Inc.

The Group assesses at each reporting date whether there is any objective evidence that the investment in NOW Telecom is impaired. The Group has determined that NOW Telecom's continuing losses over the past several years is an objective evidence that the investment may no longer be recoverable.

When there is objective evidence of impairment, the Group is required to determine the recoverable amount of the investment, which is the sum of the (i) market value of comparable radio frequencies, and the (ii) present value of estimated future cash flows that can be generated by frequencies with no comparable market value.

i. *Market value of comparable radio frequencies*

Market value of comparable frequencies is the estimated market value of the radio frequencies owned by NOW Telecom based on the implied price per MHzPop of the most recent comparable market transaction involving buy-outs of entities with radio frequencies.

ii. *Present value of estimated future cash flows generated by radio frequencies with no comparable market value*

The key assumptions used by the Group in determining the present value of estimated future cash flows generated by frequencies with no comparable market value are as follows:

- *Discount rate*
  The discount rate is based on the average percentage of the NOW Corporation's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk for which future estimates of cash flows have not been adjusted.

- *Long-term growth rate*
  Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at the terminal value.

- *Revenue growth rate*
  Revenue for the five-year period are forecasted using a growth rate which is within the industry outlook.

No impairment loss on the investment in NOW Telecom was recognized in 2016, 2015 and 2014. The carrying amount of the investment in NOW Telecom amounted to P=1,289,278,350 as of December 31, 2016, 2015 and 2014 (see Note 6).

Impairment of Trade and Other Receivables, Due from Related Parties and Advances to Affiliates

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the 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. The Group recognized provision on impairment loss on receivables and advances to affiliates amounting to P=5,685,685,
P=4,033,832 and P=6,619,366 in 2016, 2015 and 2014, respectively (see Notes 4, 6 and 14).

The aggregate carrying amounts of trade and other receivables, due from related parties and advances to affiliates amounted to P=238,651,640, P=185,331,501 and P=152,318,209 as of December 31, 2016, 2015 and 2014, respectively (see Notes 4, 6 and 9).

Estimating Useful Lives of Property and Equipment and Computer Software

The Group estimates the useful lives of significant parts of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Depreciation and amortization charged to operations amounted to P=2,214,569, P=3,567,678 and P=4,986,825 for the years ended
December 31, 2016, 2015 and 2014, respectively (see Notes 7 and 14). The aggregate net book values of property and equipment and computer software amounted to P=6,618,907, P=3,381,639 and P=6,710,239 as of December 31, 2016, 2015 and 2014, respectively (see Note 7).

Estimating Impairment of Property and Equipment, Computer Software and Creditable Withholding Taxes (CWTs)

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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the estimated recoverable amount represents the net fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. The Group recorded provision for impairment on CWTs of nil, P=158,767 and P=547,503 in 2016, 2015 and 2014, respectively
(see Note 5). The aggregate carrying values of property and equipment, computer software and CWTs amounted to P= 10,429,873, P= 7,284,468 and P= 10,085,978 as of December 31, 2016, 2015 and 2014 respectively (see Notes 5 and 7).

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.

The Group did not recognize deferred income tax assets on temporary differences and carryforward benefits of unused NOLCO, unused tax credits from excess MCIT, and allowance for impairment on trade and other receivables totalling to P=30,227,110, P=74,849,543 and P=152,272,986 as of December 31, 2016, 2015 and 2014, respectively (see Note 15). The Group believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

4. Trade and Other Receivables

	2016	2015	2014
Trade receivables:			
Related parties (see Note 9)	**P=101,220,311**	P=64,063,924	P=33,032,742
Third parties	**24,581,615**	27,446,304	20,935,910
Advances to officers and personnel	**1,355,118**	1,217,171	4,739,370
Others (see Note 9)	**2,211,771**	2,211,771	2,211,771
	129,368,815	94,939,170	60,919,793
Less allowance for impairment losses	**13,836,447**	13,150,762	9,116,930
	P=115,532,368	P=81,788,408	P=51,802,863

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 the outstanding loan receivable from Holy Cow Animation, Inc. (Holy Cow) (see Note 9).

Movement in allowance for impairment losses on trade receivables are as follows:

	2016	2015	2014
Balance at beginning of year	**P=13,150,762**	P=9,116,930	P=2,497,564
Provisions for the year (see Note 14)	**685,685**	4,033,832	6,619,366
Balance at end of year	**P=13,836,447**	P=13,150,762	P=9,116,930

5. Other Current Assets

	2016	2015	2014
CWT - net	**P=3,810,966**	P=3,902,828	P=3,375,738
Prepayments	**3,417,471**	162,431	118,678
Input VAT	**285,426**	–	480,515
Others	**145,350**	112,832	97,189
	P=7,659,213	P=4,178,091	P=4,072,120

CWT is net of allowance for impairment losses amounting to P=706,270 as of December 31, 2016 and 2015, and P=547,503 as of December 31, 2014.

Movements in allowance for impairment loss on CWT are as follows:

	2016	2015	2014
Balance at beginning of year	**P=706,270**	P=547,503	P=–
Provisions for the year (see Note 14)	**–**	158,767	547,503
Balance at end of year	**P=706,270**	P=706,270	P=547,503

6. **Investments and Advances**

	2016	2015	2014
AFS financial asset	**P=1,289,278,350**	P=1,289,278,350	P=1,289,278,350
Advances to affiliates	**23,592,818**	28,592,818	28,592,818
	P=1,312,871,168	P=1,317,871,168	P=1,317,871,168

AFS Financial Asset

The Group has an investment in NOW Telecom classified as AFS financial asset.

On April 28, 2006, the Group entered into a MOA with NOW Telecom and five (5) controlling stockholders of NOW Telecom namely, Top Mega Enterprise, Ltd, Joycelink Holdings, Ltd, GHI, Emerald Investment, Inc., Food Camp Industries and Marketing, Inc. (the five companies are collectively referred to hereafter as NOW Telecom stockholders) to swap or exchange shares of stock.

Under the MOA, the Parent Company shall issue its shares in exchange for interest in NOW Telecom. The agreed upon swap of shares was subject to certain conditions, including necessary corporate and regulatory approvals. The MOA was approved by the Parent Company's stockholders on June 2, 2006.

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 Parent 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 Parent Company's primary purpose. Moreover, the Parent Company's stockholders also approved the proposal that the Parent Company shall only acquire 19% equity interest in NOW Telecom and not 97% as originally intended. As a result, the Parent Company acquired 2,656,580 NOW Telecom shares constituting 19% equity interest in NOW Telecom, in exchange for new shares of the Parent Company, with par value of P=1 with an aggregate value of P=1,289,278,350, or effectively, at a price of P=485.32 per NOW Telecom share.

The Parent Company applied for an increase in its authorized capital stock to accommodate the foregoing transaction (see Note 12).

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 Parent Company.

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 the NOW Telecom shareholders.

As of December 31, 2016, 2015 and 2014, the Group's investment in NOW Telecom amounted to P=1,289,278,350 and no impairment was recognized for the years then ended.

Investment in Associate and Advances to Affiliates

a. *Softweb Consulting, Inc.*

Investment in associate

On December 20, 2010, the Group entered into a subscription agreement with Softweb for an investment amounting to P=6,000,000, representing a 50% interest in Softweb.

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.

As of December 31, 2016, 2015 and 2014, the Group's share in losses of Softweb have already exceeded the cost of investment. The Group only recognizes the loss to the extent of the cost of investment. Accordingly, the carrying amount of investment in Softweb as of
December 31, 2016, 2015 and 2014 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, 2016, 2015 and 2014 amounted to P=[1],077,304, P=7,265,533 and P=6,618,855, respectively.

Advances

As of December 31, 2016, 2015 and 2014, advances to Softweb amounted to P=5,000,000. This pertains to deposit for future stock subscription in Softweb pending the increase in its authorized capital stock.

In 2016, the Group recognized provision for impairment loss on its advances to Softweb amounting to P= 5,000,000 (see Notes 9 and 14).

b. *Thumbmob Philippines, Inc. and Holy Cow Animation, Inc.*
c.

The Group entered into agreements with Thumbmob and Holy Cow for the subscription of Thumbmob and Holy Cow shares. Holy Cow is a full service animation studio that produces 2D, 3D, Flash and HTML5 animation and special effect animation for the media and entertainment business. Thumbmob develops, publishes, and distributes games and applications for social networking and mobile environments. It serves brands, businesses, and institutions.

These are currently recorded under “Advances to affiliates” in the consolidated statement of financial position pending the increase in the authorized capital stock of the investee companies. The applications for the increase in authorized capital stock are not yet filed with the Philippine SEC as of April 12, 2017 (see Note 9).

2016

Equipment	Leasehold Improvement	Transportation s	Office Equipment	Furniture and Fixtures	Total
Cost:					
Balances at beginning of year	**P=4,937,446**	**P=15,169,919**	**P=11,440,365**	**P=1,393,888**	**P=32,941,618**

[1] . **Property and Equipment**

Additions	**–**	**690,358**	**4,761,479**	**–**	**5,451,837**
Balances at end of year	**4,937,446**	**15,860,277**	**16,201,844**	**1,393,888**	**38,393,455**
Accumulated depreciation and amortization:					
Balances at beginning of year	**3,944,495**	**14,795,001**	**9,863,876**	**1,087,739**	**29,691,111**
Depreciation and amortization for the year (see Note 14)	**500,722**	**396,752**	**1,082,072**	**108,118**	**2,087,664**
Balances at end of year	**4,445,217**	**15,191,753**	**10,945,948**	**1,195,857**	**31,778,775**
Net book value	**P=492,229**	**P=668,524**	**P=5,255,896**	**P=198,031**	**P=6,614,680**

2015

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Balances at beginning of year	P=4,937,446	P=15,169,919	P=11,201,287	P=1,393,888	P=32,702,540
Additions	–	–	239,078	–	239,078
Balances at end of year	4,937,446	15,169,919	11,440,365	1,393,888	32,941,618
Accumulated depreciation and amortization:					
Balances at beginning of year	3,443,773	12,206,516	9,620,427	979,621	26,250,337
Depreciation and amortization for the year (see Note 14)	500,722	2,588,485	243,449	108,118	3,440,774
Balances at end of year	3,944,495	14,795,001	9,863,876	1,087,739	29,691,111
Net book value	P=992,951	P=374,918	P=1,576,489	P=306,149	P=3,250,507

2014

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Balances at beginning of year	P=4,856,570	P=15,169,919	P=11,201,287	P=1,393,888	P=32,621,664
Additions	80,876	–	–	–	80,876
Balances at end of year	4,937,446	15,169,919	11,201,287	1,393,888	32,702,540
Accumulated depreciation and amortization:					
Balances at beginning of year	2,430,199	9,056,032	9,107,349	871,503	21,465,083
Depreciation and amortization for the year (see Note 14)	1,013,574	3,150,484	513,078	108,118	4,785,254
Balances at end of year	3,443,773	12,206,516	9,620,427	979,621	26,250,337
Net book value	P=1,493,673	P=2,963,403	P=1,580,860	P=414,267	P=6,452,203

Transportation equipment includes vehicles under finance lease agreements (see Note 10). The aggregate carrying value of leased transportation equipment amounted to nil as of December 31, 2016 and 2015, and P=801,146 as of December 31, 2014.

Cost of fully depreciated assets still in use amounted to P=17,134,057, P=16,757,039 and P=4,679,362 as of December 31, 2016, 2015 and 2014, respectively.

8. Accounts Payable and Accrued Expenses

	2016	2015	2014
Trade payables:			
Third parties	**P=22,510,846**	P=32,363,996	P=20,736,026
Related parties (Note 9)	**18,808,706**	25,112,678	28,242,744
Accrued expenses:			
Interest (Note 9)	**59,903,586**	59,903,586	59,903,586
Others	**8,432,065**	8,826,227	7,908,775
Deferred output VAT	**9,265,728**	6,055,944	2,966,931
Withholding tax payable	**721,643**	664,630	638,551
	P=119,642,574	P=132,927,061	P=120,396,613

Trade payables from third parties are noninterest-bearing and are generally on 30 to 60 days' term. Trade and nontrade payables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

9. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group entered into transactions with related parties, principally consisting of the following:

a. The Parent Company grants interest-free advances to NOW Telecom for working capital and administrative requirements. Amounts owed by NOW Telecom as of December 31, 2016, 2015 and 2014 amounted to P=51,346,501, P=31,408,455 and P=23,720,567, respectively.

b. On August 30, 2005, the Parent Company entered into a Loan Agreement with IBI for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% 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 further 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. On August 31, 2015, both parties agreed to extend the maturity of the loan to five (5) years ending August 30, 2020. Interest was retained at 3% per annum. Interest income amounted to P=467,033 in 2016, 2015 and 2014 reflected as part of "Others" in revenue. As of December 31, 2016, 2015 and 2014, amounts owed by IBI, including interest, amounted P=27,030,711, P=26,563,678 and P=26,096,645, respectively. IBI is an entity under common control.

c. As of December 31, 2016, 2015 and 2014 the Group has outstanding liabilities to Emerald Investment, Inc. (EII) amounting to P=2,902,918 which arose from the Group's sub-lease agreement with EII that ended in 2011.

Amounts owed by EII as of December 31, 2016, 2015 and 2014 is P=40,848.

d. On January 1, 2013, the Parent Company renewed its service agreement with KPSC for a period of four (4) years beginning January 1, 2013 to December 31, 2016. On January 3, 2017, the Parent Company renewed its service agreement with KPSC for a period of five (5) years beginning January 3, 2017 to January 2, 2022.

Under the service agreement, KPSC shall provide consultancy and manpower services depending on the services specifically required by the Group. Amounts owed to KPSC, in relation to the service agreement, amounted to P=15,450,244, P=19,719,161 and P=26,207,689 as of December 31, 2016, 2015 and 2014, respectively.

The Group's administrative and management functions, including key management personnel, are being handled by personnel of KPSC.

Outside services incurred by the Group for the provision of key management personnel services that are provided by KPSC amounted to P=6,176,177, P=6,858,809, and P=5,829,249 in 2016, 2015 and 2014, respectively.

On January 31, 2017, both parties mutually agreed to terminate the service agreement following the change in the business operation of the Group.

e. Due 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.

On January 22, 2015, Velarde, Inc. agreed to convert its advances amounting to P=200,000,000 into equity interest in the Parent Company for 200,000,000 common shares with a par value of P=1. It was further agreed that the remaining balances and subsequent advances from Velarde, Inc. shall no longer be subject to interest and shall be due on demand (see Note 12).

Interest expense booked as additional amounts owed to related party amounted to nil in 2016 and 2015 and P=17,756,021 in 2014.

On April 29, 2016, the Parent Company's BOD approved the conversion into equity of the advances from Velarde, Inc. amounting to P=264,000,000 at a conversion price of P=1.22 per share computed on the volume-weighted average price of the Parent Company's shares for a 30-day trading period ended April 14, 2016. On June 2, 2016, the stockholders of the Parent Company approved the said increase in the Parent Company's authorized capital stock.

On June 20, 2016, additional advances were incurred from Velarde, Inc, through the latter's payment of the loans payable to bank on behalf of the Parent Company amounting to P=44,500,000 (see Note 11).

Outstanding accrued interest presented as part of the "Accounts payable and accrued expenses" amounted to P=59,903,586 as of December 31, 2016, 2015 and 2014 (see Note 8).
Due to Velarde, Inc. presented as part of "Due to related parties" amounted to P=68,322,816, P=223,458,035 and P=394,167,083 as of December 31, 2016, 2015 and 2014, respectively.

f. The Group charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees charged to Softweb amounted to nil in both 2016 and 2015, and P=4,800,000 in 2014 reflected as part of "Others" in revenue. Payments are due within 5 days upon receipt of invoice. Management fees charged to Velarde, Inc. amounted to P= 240,000 in 2016, 2015 and 2014 reflected as part of "Others" in revenue.

The Group has outstanding trade receivables to Velarde, Inc. amounting to P=1,440,000, P=1,200,000 and P=960,000 as of December 31, 2016, 2015 and 2014, respectively.

g. The Group entered into a non-interest bearing loan agreement with Porteon Electric Vehicles, Inc. (Porteon). As of December 31, 2016, 2015 and 2014, the outstanding amount due from Porteon Electric Vehicles, Inc. amounted to P=2,160,300 which is due on demand.

h. On January 1, 2011, the Group entered into a sublease contract with I-College Philippines, Inc. (ICollege) for the period November 1, 2011 to May 31, 2012 with a monthly rental fee of P=77,526. The term of the lease can be renewed upon mutual consent of both parties. The most recent renewal of this sublease agreement is for a period of three (3) years from November 1, 2014 to October 31, 2017. All other terms and conditions of the sublease agreement dated January 1, 2011 remain in full force.

   Rent expense incurred by the Group amounted to P=930,313 in 2016, 2015 and 2014. In connection with this, the related due to I-College amounted to P=4,806,612, P=3,876,300 and P=2,945,987 as of December 31, 2016, 2015 and 2014, respectively.

i. The Group sells IBM licenses to Softweb, an associate. Sales of IBM license to Softweb amounted to P= 5,412,232, P=12,088,054 and P=2,792,846 in 2016, 2015 and 2014.

j. The Group entered into agreements with Thumbmob, Holy Cow and Softweb for the subscription of their respective shares. Please see Note 6 for detailed discussion.

k. In January 2015, the Parent Company entered into two separate one (1) year service agreements with GHT Network, Inc. (GHT) and News and Entertainment Network, Inc. (Newsnet) to provide bandwidth services to its customers. The Parent Company provided the infrastructure build-up and technology design and consultancy. Service revenue from GHT and Newsnet amounted to P=10,000,000 each in 2015 reflected as part of “Service fees” in revenue.

l. *Infrastructure build-up and technical services*

   In 2016, the Group entered into contracts with GHT, Newsnet and NOW Telecom whereas the Group will provide project management services, design and planning services and installation services covering up to 10 major network hubs for a total contract price of P=45,000,000 each. Right to receive payments arise upon acceptance of GHT, Newsnet and NOW Telecom of completed hubs. Payments are due upon receipt of invoice. Total of six hubs were completed for GHT and Newsnet in 2016. Service revenue recognized in 2016 amounts to P=15,000,000 each for GHT and Newsnet. Service revenue recognized in 2016 for the technical service related to Rohill TetraNode System provided by the Group to NOW Telecom amounts to P=7,500,000.

m. *Technology consultancy*

   Included in the contract entered in 2016, the Parent Company will provide technology consultancy services for a period of ten (10) years with an annual fee of P=450,000 each for GHT and Newsnet. Service revenue recognized in 2016 amounts to P=450,000 each for GHT and Newsnet.

n. *Value-added services (VAS)*

   In 2015, the Parent Company entered into three (3) separate agreements with NOW Telecom, GHT and Newsnet (the Parties), wherein the Parties mutually agreed to collaborate and interconnect their respective networks in order for the Parent Company to provide VAS to the public such as cloud hosting services, virtual private network, multimedia content and program services, online game services, cloudbased multimedia conferencing services, web hosting and cloud-based mail and messaging services (VAS contracts).

   On December 5, 2016, the Parties agreed to amend Chapter 5 of their VAS contracts to add provision on revenue sharing from the broadband revenue.

On December 23, 2016, the Parties further agreed to amend their VAS contracts to include additional fees from actual usage of bandwidth and other provision on charging to the Parent Company on a costplus margin arrangement.

Related parties	Category	Year	Amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Trade and other payables (Note 8)	Advances to affiliates (Note 6)	Terms	Conditions
Shareholders										
Velarde, Inc.	**Advances**	**2016**	**P=73,626,954**	**P=–**	**P=–**	**P=68,322,816**	**P=–**	**P=–**	**On demand**	**Unsecured**
		2015	170,709,048	–	–	223,458,035	–	–	On demand	Unsecured
		2014	45,143,729	–	–	394,167,083	–	–	On demand	Unsecured
	Management fee	**2016**	**240,000**	**–**	**1,440,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	240,000	–	1,200,000	–	–	–	On demand	Unsecured, no impairment
		2014	240,000	–	960,000	–	–	–	On demand	Unsecured, no impairment
	Interest	**2016**	**–**	**–**	**–**	**–**	**59,903,586**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	–	59,903,586	–	On demand	Unsecured
		2014	17,756,021	–	–	–	59,903,586	–	On demand	Unsecured
GHI	**Advances**	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	95,536	2,035,055	–	On demand	Unsecured
		2014	–	–	–	95,536	2,035,055	–	On demand	Unsecured
EII	**Advances**	**2016**	**–**	**40,848**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	40,848	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	40,848	–	–	–	–	On demand	Unsecured, no impairment
	Leases	**2016**	**–**	**–**	**–**	**2,902,918**	**–**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	2,902,918	–	–	On demand	Unsecured
		2014	–	–	–	2,902,918	–	–	On demand	Unsecured
Affiliates										
NOW Telecom	**Advances**	**2016**	**2,704,687**	**51,346,501**	**–**	**878,208**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	7,816,287	31,408,455	–	749,806	–	–	On demand	Unsecured, no impairment
		2014	5,320,038	23,720,567	–	621,407	–	–	On demand	Unsecured, no impairment

Related parties	Category	Year	Transaction amount	Due to related parties	Trade and other receivables (Note 4)	Trade and other payables to related parties	Advances (Note 8)	Due from affiliates (Note 6)	Terms	Conditions
	Services	**2016**	**7,500,000**	**–**	**8,400,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	–	–	–	–	–	–	–
		2014	–	–	–	–	–	–	–	–

(Forward)

Related parties	Category	Year	Transaction amount	Due to related parties	Trade and other receivables (Note 4)	Trade and other payables to related parties	Advances (Note 8)	Due from affiliates (Note 6)	Terms	Conditions
KPSC	**Advances**	**2016**	**P=–**	**P=204,708**	**P=–**	**P=–**	**P=–**	**P=–**	**On demand**	**Unsecured**
		2015	2,160	204,708	–	–	–	–	On demand	Unsecured
		2014	–	202,548	–	–	–	–	On demand	Unsecured
	Outside services	**2016**	**50,716,312**	**–**	**–**	**–**	**15,450,244**	**–**	**On demand**	**Unsecured**
		2015	46,656,791	–	–	–	19,719,161	–	On demand	Unsecured
		2014	44,796,755	–	–	–	26,207,689	–	On demand	Unsecured
IBI	**Advances**	**2016**	**–**	**15,567,752**	**–**	**–**	**–**	**–**	**Due within 5 years**	**Unsecured, no impairment**
		2015	–	15,567,752	–	–	–	–	Due within 5 years	Unsecured, no impairment
		2014	–	15,567,752	–	–	–	–	On demand	Unsecured, no impairment
	Interest	**2016**	**467,033**	**11,462,959**	**–**	**–**	**–**	**–**	**Due within 5 years**	**Unsecured, no impairment**
		2015	467,033	10,995,926	–	–	–	–	Due within 5 years	Unsecured, no impairment

Related parties	Category	Year	Amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Advances to affiliates (Note 8)	Trade and other payables (Note 6)	Terms	Conditions
		2014	467,033	10,528,893	–	–	–	–	On demand	Unsecured, no impairment
Asian Institute of Journalism and Communication	**Advances**	**2016**	**1,039**	**471,061**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	2,661	470,022	–	–	–	–	On demand	Unsecured, no impairment
		2014	233,228	472,683	–	–	–	–	On demand	Unsecured, no impairment
Paradiso Verde, Inc.	**Advances**	**2016**	**–**	**–**	**–**	**–**	**3,358,462**	**–**	**On demand**	**Unsecured**
		2015	–	–	–	–	3,358,462	–	On demand	Unsecured
		2014	–	–	–	7,940,563	–	–	–	Unsecured
	Services	**2016**	**–**	**–**	**–**	**605,212**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	368,195	–	–	605,212	–	–	On demand	Unsecured, no impairment
		2014	973,407	–	–	973,407	–	–	On demand	Unsecured, no impairment
(Forward)										
Porteon	**Loans**	**2016**	**P=–**	**P=2,160,300**	**P=–**	**P=–**	**P=–**	**P=–**	**On demand**	**Unsecured, no impairment**
		2015	–	2,160,300	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	2,160,300	–	–	–	–	On demand	Unsecured, no impairment
Newsnet	**Advances**	**2016**	**4,669,416**	**10,736,960**	**–**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	947,948	6,067,544	–	–	–	–	On-demand	Unsecured, no impairment
		2014	5,119,596	5,119,596	–	–	–	–	–	–
	Services	**2016**	**15,450,000**	**–**	**28,504,000**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	10,000,000	–	11,200,000	–	–	–	On-demand	Unsecured, no impairment
		2014	–	–	–	–	–	–	–	–
GHT	**Advances**	**2016**	**1,177,121**	**6,177,301**	**–**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	180	5,000,180	–	–	–	–	On-demand	Unsecured, no impairment
		2014	5,000,000	5,000,000	–	–	–	–	–	–

					Trade and other	and other	Advances	Trade Related	Transaction	Due from
receivables Due to payables to affiliates parties	Category	Year	amount	related parties	(Note 4)	related parties	(Note 8)	(Note 6)	Terms	Conditions
	Services	**2016**	**15,450,000**	**–**	**28,504,000**	**–**	**–**	**–**	**On-demand**	**Unsecured, no impairment**
		2015	10,000,000	–	11,200,000	–	–	–	–	Unsecured, no impairment
		2014	–	–	–	–	–	–	–	–
	Loans									
Holycow		**2016**	**–**	**–**	**2,211,771**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	–	2,211,771	–	–	–	On demand	Unsecured, no impairment
		2014	–	–	2,211,771	–	–	–	On demand	Unsecured, no impairment
	Interest									
		2016	**–**	**156,000**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	156,000	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	156,000	–	–	–	–	On demand	Unsecured, no impairment

Category	Year	Transaction amount	Trade and other receivables (Note 4)	Due from related parties	Trade and other payables (Note 8)	Due to related parties	Advances to affiliates (Note 6)	Terms	Conditions
	2016	**P=99,526,454**	**P=103,432,082**	**P=77,520,582**	**P=78,712,292**		**P=23,592,818**		
	2015	P=74,950,275	P=66,275,695	P=238,078,380	P=85,016,264		₱ 28,592,818		
	2014	P=71,922,528	P=35,244,513	P=411,351,212	P=88,146,330		₱ 28,592,818		

Related parties	Category	Year	Transaction amount	Due from related parties	Trade and other receivables (Note 4)	Due to related parties	Trade and other payables to affiliates (Note 8)	Advances (Note 6)	Terms	Conditions
	Advances	**2016**	**–**	**–**	**–**	**–**	**–**	**9,248,449**	**On demand**	**Unsecured, no impairment**
		2015	–	–	–	–	–	9,248,449	On demand	Unsecured, no impairment
		2014	–	–	–	–	–	9,248,449	On demand	Unsecured, no impairment
Thumbmob	**Advances**	**2016**	**–**	**–**	**–**	**–**	**–**	**14,344,369**	**On demand**	**Unsecured, no impairment**
		2015	–	–	–	–	–	14,344,369	On demand	Unsecured, no impairment
		2014	–	–	–	–	–	14,344,369	On demand	Unsecured, no impairment
(Forward)										
I-College	**Advances**	**2016**	**P=–**	**P=720**	**P=–**	**P=–**	**P=–**	**P=–**	**On demand**	**Unsecured, no impairment**
		2015	–	720	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	–	–	–	–	–	–	–
	Lease	**2016**	**930,313**	**–**	**–**	**4,806,612**	**–**	**–**	**On demand**	**Unsecured**
		2015	930,313	–	–	3,876,300	–	–	On demand	Unsecured
		2014	930,313	–	–	2,945,987	–	–	On demand	Unsecured
Associate										
Softweb	**Advances**	**2016**	**–**	**487,344**	**2,380,860**	**4,816**	**–**	**–**	**On demand**	**Unsecured**
		2015	1,389,259	2,163,820	2,380,860	6,390,573	–	5,000,000	On demand	Unsecured
		2014	4,403,554	8,239,341	2,380,860	1,704,311	–	5,000,000	On demand	Unsecured
	Loans	**2016**	**–**	**714,000**	**–**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	–	714,000	–	–	–	–	On demand	Unsecured, no impairment
		2014	–	714,000	–	–	–	–	On demand	Unsecured, no impairment
	Sales	**2016**	**5,412,232**	**–**	**16,401,451**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
		2015	12,088,054	–	22,493,064	–	–	–	On demand	Unsecured, no impairment
		2014	2,792,846	–	14,101,882	–	–	–	On demand	Unsecured, no impairment

Trade **Trade**
and other and other Advances Related Transaction Due from
receivables Due to payables to affiliates
parties Category Year amount related parties (Note 4) **related parties** (Note 8) (Note 6) **Terms**
Conditions

Management fee	**2016**	**–**	**–**	**15,590,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2015	–	–	15,590,000	–	–	–	On demand	Unsecured, no impairment
	2014	4,800,000	–	15,590,000	–	–	–	On demand	Unsecured, no impairment

Summary of related party transactions affecting consolidated statements of income:

Related parties	Category	Year	Revenues	Cost of sales and services	General and administrative expenses
Velarde Inc.	**Management Fee**	**2016**	**P=240,000**	**P=–**	**P=–**
		2015	240,000	–	–
		2014	240,000	–	–
	Interest	**2016**	**–**	**–**	**–**
		2015	–	–	–
		2014	–	–	17,756,021
NOW Telecom	**Services**	**2016**	**7,500,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
	Cost of data services	**2016**	**–**	**779,715**	**–**
		2015	–	–	–
		2014	–	–	–
Newsnet	**Services**	**2016**	**15,450,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
	Cost of data services	**2016**	**–**	**1,696,912**	**–**
		2015	–	–	–
		2014	–	–	–
GHT	**Services**	**2016**	**15,450,000**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
IBI	**Interest**	**2016**	**467,033**	**–**	**–**
		2015	–	–	–
		2014	–	–	–
KPSC	**Outside services**	**2016**	**–**	**43,226,619**	**7,489,693**
		2015	–	40,054,599	6,602,192
		2014	–	41,662,334	3,134,421
Softweb	**Sales**	**2016**	**5,412,232**	**–**	**–**
		2015	12,088,054	–	–
		2014	2,792,846	–	–
	Management fee	**2016**	**–**	**–**	**–**
		2015	–	–	–
		2014	4,800,000	–	–

I-College	**Lease**	**2016**	**–**	**–**	**930,313**
		2015	–	–	930,313
		2014	–	–	930,313
		2016	**P=44,519,265**	**P=45,703,246**	**P=8,420,006**
		2015	P=12,328,054	P=40,054,599	P=7,532,505
		2014	P=7,832,846	P=41,662,334	P=21,820,755

10. **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. 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 are amounted to nil as of December 31, 2016 and 2015 and P=675,433 as of December 31, 2014, respectively.

	2014
Within one year	P=701,747
After one year but not more than five (5) years	–
Total minimum lease obligations	701,747
Less interest portion	–
Present value of minimum lease obligations	701,747
Less current portion	701,747
Noncurrent portion	P=–

Interest expense related to the lease commitments amounted to nil, P=26,314 and P=252,359 in 2016, 2015 and 2014, respectively.

The Group has entered into operating lease agreements in respect of its office premises. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognized in the statement of comprehensive income are included under “Rental”.

a. On January 1, 2011, the Group entered into a sublease contract with I-College Philippines, Inc. (I-College) for the period November 1, 2011 to May 31, 2012 with a monthly rental fee of P=77,526. The term of the lease can be renewed upon mutual consent of both parties. The Group renewed its sublease agreement for the periods of three (3) years from November 1, 2014 to October 31, 2017. All other terms and conditions of the sublease agreement dated January 1, 2011 remain in full force.

b. On April 16, 2013, the Group entered into a contract of lease with monthly rental fee of P=40,000 and security deposit amounting to P=120,000 equivalent to three (3) months rental fee. The term of the lease can be renewed upon mutual consent of both parties. In March 2016, the parties agreed to terminate the said agreement.

   The Group entered into a new lease contract commencing on April 1, 2016 to March 31, 2017 renewable upon mutual agreement of the parties. Based on the lease agreement, monthly rental payment was set at P=47,368.

Future minimum lease payment related to the lease as of December 31, 2016, 2015 and 2014 are as follows:

2016	2015	2014

Within one year	**P=917,364**	P=930,312	P=930,312
After one year but not more than five years	**–**	775,260	1,705,572
	P=917,364	P=1,705,572	P=2,635,884

11. **Loans Payable**

Metropolitan Bank and Trust Company and Bank of Makati loan

In September 2012, the Parent Company has availed of short term loan from Metropolitan Bank and Trust Company (MBTC) amounting to P=44,500,000. In December 2013, the said loan was extended for another two (2) years with a maturity date of January 2016. The loan bears interest ranging from 2.40% and 2.12% to 2.30% in 2016 and 2015, respectively. Interest is payable every 30 days.

On March 1, 2016, the Parent Company availed of a P=44,500,000 loan from the Bank of Makati to settle the loan from MBTC. The new loan, which will mature on March 1, 2018, has a term of 2.03 years and bears a fixed interest rate of 1.75% per annum.

On June 20, 2016, the loan from Bank of Makati was paid by Velarde, Inc. on behalf of the Parent Company (see Note 9).

Interest expense on the said loan amounted to P=571,355 and P=1,027,530 in 2016 and 2015, respectively.

BDO loan

On December 22, 2016, the Parent Company availed a chattel mortgage loan amounting to P=564,800 from BDO Unibank, Inc. for the purchase of a vehicle, which serves as the property mortgaged. The new loan requires sixty monthly repayments of P=11,754 until November 23, 2021, has a term of five (5) years and bears an interest rate of 9.44% per annum.

The current and noncurrent portions of the loan amounted to P=87,426 and P=449,107, respectively, as of December 31, 2016.

Interest expense recognized on this loan amounted to P=1,607 in 2016.

12. **Capital Stock**

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

	Number of shares registered	Issue/offer price	Date of approval
Common shares	28,000,000	P=1.00	July 30, 2003
Common shares	1,289,278,350	P=1.00	December 10, 2008

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 P=1 par value per share. This was subsequently approved by the SEC on September 19, 2006.

On May 12, 2010, the BOD and stockholders of the Parent Company approved proposal to increase its authorized capital stock from 1,320,000,000 shares to 5,320,000,000 shares at P=1 par value per shares. On November 7, 2014, the BOD and stockholders of the Parent Company approved the amendment in the proposal to increase the authorized capital stock up to 2,700,000,000 shares. On January 22, 2015, the Parent Company's BOD approved a new proposal to supersede previous increase in authorized capital stock plans. It was decided for the Parent Company to apply for an increase of 800,000,000 shares at P=1 par value per share.

(i.e., 1,320,000,000 shares to 2,120,000,000 shares). The SEC approved the Parent Company's application to increase its authorized capital stock on December 17, 2015.

As discussed in Note 9, Velarde, Inc. subscribed to 200,000,000 shares of the Parent Company and this subscription was settled through the conversion of its advances to the Group amounting to P=200,000,000.

On April 29, 2016, the Parent Company's BOD approved the increase in the authorized capital stock of the Parent Company from 2,120,000,000 shares at P=1 par value per share to 3,000,000,000 shares at P=1 par value per share. The BOD also approved the conversion into equity of the advances from Velarde, Inc. amounting to P=264,000,000 at a conversion price of
P=1.22 per share computed based on the volume-weighted average price of the Parent Company's shares for a 30-day trading period ended April 14, 2016. On June 2, 2016, the stockholders of the Parent Company approved the said increase in the Parent Company's authorized capital stock.

On July 22, 2016, the Parent Company filed with the SEC its application for the approval of the proposed increase in its authorized capital stock. The SEC has not yet approved the Parent Company's application as of April 12, 2017. As of December 31, 2016, the Group presented the deposit for future stock subscription amounting to P=264,000,000 as part of equity as the Parent Company has met all the conditions required by the SEC under Financial Reporting Bulletin No. 06 for such regulation.

On September 2, 2016, the Parent Company's BOD approved the amendment in the Articles of Incorporation of the Parent Company to reclassify 60,000,000 unissued common shares to redeemable, convertible, nonparticipating and non-voting Peso-denominated preferred shares, with or without detachable warrants, with a par value of ₱1 per share. On November 8, 2016, the stockholders of the Parent Company representing two-thirds of its outstanding capital stock approved the amendment.

On January 6, 2017, the Parent Company filed an application with the SEC for the approval of the said amendment. This was approved by the SEC on January 10, 2017.

Information on the Group's authorized capital stock is as follows:

	Number of shares		
	2016	2015	2014
Authorized capital stock			
Common stock, P=1 par value:			
Balance at beginning of the year	**2,120,000,000**	1,320,000,000	1,320,000,000
Increase during the year	**–**	800,000,000	–
Balance at end of the year	**2,120,000,000**	2,120,000,000	1,320,000,000

Movements in the outstanding capital stock are as follows:

	Number of shares		
	2016	2015	2014
Common stocks issued			
Balance at beginning of the year	**1,517,278,350**	1,317,278,350	1,317,278,350
Issuances during the year	**–**	200,000,000	–
Balance at end of the year	**1,517,278,350**	1,517,278,350	1,317,278,350

Amount

	2016	2015	2014
Common stocks issued			
Balance at beginning of the year	**P=1,517,278,350**	P=1,317,278,350	P=1,317,278,350
Issuances during the year	**–**	200,000,000	–
Balance at end of the year	**P=1,517,278,350**	₱1,517,278,350	P=1,317,278,350

13. Costs of Sales and Services

	2016	2015	2014
Cost of service:			
Outside services	**P=43,226,619**	P=40,054,599	P=43,119,594
Cost of data services	**3,204,621**	–	–
Cost of sales	**10,215,702**	35,545,753	18,956,087
	P=56,646,942	P=75,600,352	P=62,075,681

14. General and Administrative Expenses

	2016	2015	2014
Outside services	**P=7,489,693**	P=6,602,192	P=3,134,421
Provision for impairment loss on:			
Advances to affiliate (Note 6)	**5,000,000**	–	–
Trade and other receivables (Note 4)	**685,685**	4,033,832	6,619,366
Other current assets (Note 5)	**–**	158,767	547,503
Entertainment, amusement and recreation	**4,706,499**	2,430,290	1,270,642
Advertising and promotion	**4,524,439**	–	–
Communication	**4,109,582**	3,563,207	2,817,637
Professional fees	**2,918,643**	632,437	1,379,090
Office supplies	**2,441,318**	1,020,425	877,500
Depreciation and amortization (Note 7)	**2,214,569**	3,567,678	4,986,825
Rental (Note 10)	**1,728,730**	1,681,446	3,045,309
Transportation and travel	**1,702,362**	1,586,867	1,866,773
Salaries and other employee benefits	**1,301,160**	756,000	820,646
Taxes and licenses	**1,068,636**	2,473,879	867,666
Repairs and maintenance	**1,008,292**	353,177	348,738
Utilities	**982,225**	804,573	1,309,979
Insurance	**258,661**	271,898	269,943
Others	**1,260,642**	1,275,162	480,749
	P=43,401,136	P=31,211,830	P=30,642,787

15. Income Taxes

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

	2016	2015	2014
Statutory income tax at 30%	**P=1,407,532**	P=2,023,297	(P=11,506,157)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**3,169,352**	2,393,591	6,304,039
Movement of unrecognized deferred income tax assets	**(2,382,463)**	(2,905,716)	5,332,385
Interest income subjected to final tax	**(1,157)**	(2,282)	(1,655)

	2016	2015	2014
	P=2,193,264	P=1,508,890	P=128,612

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

The temporary differences are as follows:

	2016	2015	2014
Allowance for impairment on trade and other receivables	**P=13,836,447**	P=13,150,762	P=9,116,930
NOLCO	**14,677,498**	60,886,089	142,821,516
MCIT	**1,713,165**	812,692	334,540
	P=30,227,110	P=74,849,543	P=152,272,986

As of December 31, 2016, NOLCO and MCIT can be claimed as deduction from future taxable income and income tax liabilities, respectively, are as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2016	2019	P=565,624	P=903,836
2015	2018	1,593,769	680,717
2014	2017	12,518,105	128,612
		P=14,677,498	P=1,713,165

The following are the movements in NOLCO and MCIT:

	2016	2015	2014
NOLCO:			
Balances at beginning of year	**P=60,886,089**	P=142,821,516	P=213,170,570
Additions	**565,624**	1,593,769	12,518,105
Application	**(13,432,651)**	(13,548,316)	(2,373,187)
Expirations	**(33,341,564)**	(69,980,880)	(80,493,972)
Balances at end of year	**P=14,677,498**	P=60,886,089	P=142,821,516

	2016	2015	2014
MCIT:			
Balances at beginning of year	**P=812,692**	P=334,540	P=308,987
Additions	**903,836**	680,717	128,612
Expirations	**(3,363)**	(202,565)	(103,059)
Balances at end of year	**P=1,713,165**	P=812,692	P=334,540

16. Basic/Diluted EPS

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

	2016	2015	2014
Net income (loss) attributable to equity holders of the Parent (a)	**P=2,500,433**	P=5,236,704	(P=38,482,470)
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	**1,517,278,350**	1,317,278,350	1,317,278,350
Basic/dilutive earnings (loss) per share (a/b)	**P=0.0016**	P=0.0040	(P=0.0292)

As of December 31, 2016, 2015 and 2014, the Parent Company does not have any dilutive potential common shares.

17. Financial Instruments

The Group's financial instruments are composed of cash, trade and other receivables, due from related parties, AFS financial assets, accounts payable and accrued expenses, due 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 summarize the maturity profile of the Group's financial liabilities as of December 31, 2016, 2015 and 2014, 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.

2016

	72,495,743		**27,030,711**	**99,526,454**
	₱162,169,078	**₱30,255,452**	**₱27,030,711**	**₱219,455,241**
	On demand	**Within 1 year**	**More than 1 year**	**Total**
Financial assets:				
Cash	**P=4,396,419**	**P=–**	**P=–**	**P=4,396,419**
Trade and other receivables	**85,276,916**	**30,255,452**	**–**	**115,532,368**
Due from related parties		**–**		
Financial liabilities:				
Accounts payable and accrued expenses*	**P=109,655,203**	**P=–**	**P=–**	**P=109,655,203**
Due to related parties	**77,520,582**	**–**	**–**	**77,520,582**
Future interest on loans payable	**–**	**52,015**	**103,487**	**155,502**

Loans payable	**–**	**87,426**	**449,107**	**536,533**
	P=187,175,785	**P=139,441**	**P=552,594**	**₱187,867,820**

**Except government payables*

2015

	48,386,597		26,563,678	74,950,275
	₱117,288,180	₱28,866,497	₱26,563,678	₱172,718,355

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash	P=15,979,672	P=–	P=–	P=15,979,672
Trade and other receivables	52,921,911	28,866,497	–	81,788,408
Due from related parties		–		

	On demand	Within 1 year	More than 1 year	Total

		44,500,000		44,500,000
	₱364,284,867	₱45,278,750	₱–	₱409,563,617
Financial liabilities:				
Accounts payable and accrued expenses*	P=126,206,487	P=–	P=–	P=126,206,487
Due to related parties	238,078,380	–	–	238,078,380
Future interest on loans payable	–	778,750	–	778,750
Loans payable	–		–	

**Except government payables*

2014

	71,922,528		–	71,922,528
	₱106,790,726	₱18,941,422	₱–	₱125,732,148

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash	P=2,006,757	P=–	P=–	P=2,006,757
Trade and other receivables	32,861,441	18,941,422	–	51,802,863
Due from related parties		–		

			44,500,000	44,500,000
	₱106,346,252	₱31,429,697	₱439,943,734	₱577,719,683
Financial liabilities:				
Accounts payable and accrued expenses*	P=88,395,668	P=30,488,522	P=–	P=118,884,190
Due to related parties	17,950,584	–	393,400,628	411,351,212
Future interest on loans payable	–	941,175	2,043,106	2,984,281
Loans payable	–	–		

*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 Group 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 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.

The following tables show the aging analysis of the Group's financial assets as of December 31, 2016, 2015 and 2014.

2016

	Nether past due nor impaired	**Past due but not impaired**	**Past due and impaired**	**Total**
Financial assets:				
Cash	**P=4,396,419**	**P=–**	**P=–**	**P=4,396,419**
Trade and other receivables	**12,100,286**	**103,432,082**	**13,836,447**	**129,368,815**
	27,030,711	**72,495,743**		**99,526,454**
	₱43,527,416	**₱175,927,825**	**₱13,836,447**	**₱233,291,688**

2015

Due from related parties			**–**	

	Nether past due nor impaired	Past due but not impaired	Past due and impaired	Total
Financial assets:				

2015

	Nether past due nor impaired	Past due but not impaired	Past due and impaired	Total

Cash	P=15,979,672	P=–	P=–	P=15,979,672
Trade and other receivables	15,512,713	66,275,695	13,150,762	94,939,170
	26,563,678	48,386,597		74,950,275
	₱58,056,063	₱114,662,292	₱13,150,762	₱185,869,117

	2014			
Due from related parties			–	

	Nether past due nor impaired	Past due but not impaired	Past due and impaired	Total
Financial assets:				
Cash	P=2,006,757	P=–	P=–	P=2,006,757
Trade and other receivables	16,558,350	35,244,513	9,116,930	60,919,793
	26,096,645	45,825,883		71,922,528
	₱44,661,752	₱81,070,396	₱9,116,930	₱134,849,078
Due from related parties			–	

As at December 31, 2016, 2015 and 2014, 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

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. The Group considers its financial assets that are neither past due nor impaired amounting to P=43,527,416, P=58,056,063 and P=44,661,752 as of December 31, 2016, 2015 and 2014 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.

The Group has impaired receivables amounting to P=13,836,447, P=13,150,762 and P=9,116,930 as of December 31, 2016, 2015 and 2014, respectively.

Fair Value 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, Due from Related Parties, Accounts Payable and Accrued Expenses, Loans Payable and Due to Related Parties

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

AFS Financial Assets

Unquoted equity security is carried at cost 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 Due from Related Party

The fair value of noncurrent amounts due from related party were based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 5.9% and 5.7% as of December 31, 2016 and 2015, respectively (Level 3). The fair value of noncurrent amounts due from related party amounted to P=24,144,646 and P=22,742,540 as of December 31, 2016 and 2015, respectively. The carrying value of noncurrent amounts due from related party amounted to P=27,030,711 and P=26,563,678 as of December 31, 2016 and 2015, respectively.

Noncurrent Amounts Due to Related Party

The fair value of noncurrent amounts due to related party was based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 2.4% as of December 31, 2014 (Level 3). As of December 31, 2014, the fair value and carrying value of noncurrent amounts due to related party amounted to P=367,096,703 and P=394,167,083, respectively.

Noncurrent Loans Payable

The carrying amount of the loans payable as of December 31, 2016 and 2014 are estimated using the discounted cash flow methodology with the applicable credit-adjusted risk-free rates of 5.9% and 4.8%, respectively (Level 3). The fair value of noncurrent loans payable amounted to P=337,186 and P=42,471,963 as of December 31, 2016 and 2014, respectively. The carrying value of noncurrent loans payable amounted to P=449,107 and P=44,500,000 as of December 31, 2016 and 2014, respectively.

Capital Management

The Group considers the equity presented in the consolidated statement of financial positon as its core capital. The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and stable capital ratios in order to support its business and maximize shareholders' value.
The 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 Group has complied with the minimum public ownership as of December 31, 2016, 2015 and 2014.

The Group considers the equity attributable to the equity holders of the Parent Company as presented in the consolidated statement of financial position as its core capital.

As of December 31, 2016, 2015 and 2014, the Group was able to meet its capital management objectives.

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 Manpower and Resource Augmentation - provides deployment of IT professionals to clients.
- Software Licenses and Services - provides high value products and services to clients.
- Broadband Services - provides high-speed broadband service of up to 700 Mbps 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:

2016

	IT Manpower and Resource Augmentation	Software Licenses and services	Broadband services	Total
Service fees	**P=43,412,235**	**P=41,230,381**	**P=5,981,141**	**P=90,623,757**
Sales	**–**	**13,048,685**	**–**	**13,048,685**
Others	**2,465**	**1,762,076**	**–**	**1,764,541**
Total revenue	**P=43,414,700**	**P=56,041,142**	**P=5,981,141**	**P=105,436,983**
Costs of sales and services	**P=36,610,332**	**P=16,831,989**	**P=3,204,621**	**P=56,646,942**
General and administrative expenses	**6,368,634**	**37,032,502**	**–**	**43,401,136**
Provision for income tax	**1,289,428**	**903,836**	**–**	**2,193,264**
Net income (loss)	**(941,749)**	**663,738**	**2,776,520**	**2,498,509**
Other information				
AFS financial asset	**–**	**1,289,278,350**	**–**	**1,289,278,350**
Capital expenditures	**133,928**	**970,358**	**4,347,551**	**5,451,837**
Segment assets	**2,456,753**	**1,541,218,536**	**3,442,034**	**1,543,675,289**
Segment liabilities	**32,070,469**	**162,269,220**	**–**	**194,339,689**
Depreciation and	**39,062**	**1,269,990**	**905,517**	**2,214,569**

2016

IT Manpower and

Resource Software Licenses Broadband

Augmentation and services services Total amortization

2015	IT Manpower and Resource Augmentation	Software Licenses and services	Total
Service fees	P=39,421,080	P=27,686,947	P=67,108,027
Sales	–	47,331,371	47,331,371
Others	5,524	948,959	954,483
Total revenue	P=39,426,604	P=75,967,277	P=115,393,881
Costs of sales and services	P=33,674,327	P=41,926,025	P=75,600,352
General and administrative expenses	6,946,021	24,265,809	31,211,830
Provision for income tax	828,173	680,717	1,508,890
Net income (loss)	(2,150,137)	7,385,570	5,235,433
Other information			
AFS financial asset	–	1,289,278,350	1,289,278,350
Capital expenditures	–	239,078	239,078
Segment assets	13,446,324	1,484,905,761	1,498,352,085
Segment liabilities	53,782,558	361,722,883	415,505,441
Depreciation and amortization	625,520	2,942,158	3,567,678

2014	IT Manpower and Resource Augmentation	Software Licenses and services	Total
Service fees	P=38,580,090	P=8,451,386	P=47,031,476
Sales	–	21,235,363	21,235,363
Others	4,386	5,508,163	5,512,549
Total revenue	P=38,584,476	P=35,194,912	P=73,779,388
Costs of sales and services	P=33,312,486	P=28,763,195	P=62,075,681
General and administrative expense	5,980,615	24,662,172	30,642,787
Provision for income tax	–	128,612	128,612
Net loss	959,336	37,523,134	38,482,470

Other information

AFS financial asset	–	1,289,278,350	1,289,278,350
Capital expenditures	–	80,876	80,876
Segment assets	13,587,236	1,440,961,467	1,454,548,703
Segment liabilities	52,828,004	524,095,254	576,923,258
Depreciation and amortization	874,338	4,112,487	4,986,825

In 2016, two (2) customers accounted for 14.65% each of total revenue from infrastructure build-up and technical services. These revenues were reported under "Software licenses and services" segment. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2015 and 2014.

19. Notes to Consolidated Statements of Cash Flows

In 2015, noncash financing activity consists of debt to equity transaction from Velarde, Inc.'s advances amounting to P=200,000,000 for 200,000,000 Parent Company common shares with a par value of P=1 which has been approved on December 17, 2015 (see Note 12).

In 2016, the noncash financing activity involves the conversion of P=264,000,000 advances from Velarde, Inc. to the Parent Company's common shares. This is currently presented under equity as deposit for future stock subscription pending the approval by SEC of the Parent Company's application for increase in authorized capital stock (see Note 9).

20. Subsequent Events

a.) On January 25, 2017, Velarde, Inc. entered into a subscription agreement with i-Professional for the subscription of 6,750 common shares of the latter, representing 25% interest, thereby reducing the ownership of the Parent Company in i-Professional from 100% to 75%.

b.) On January 3, 2017, the Parent Company renewed its service agreement with KPSC for a period of (5) years beginning on the same day it was renewed. Subsequently, on January 31, 2017, both parties mutually agreed to terminate the service agreement following the change in the business operations of the Group.

NOW CORPORATION
AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2016

Deficit, as adjusted to available for dividend distribution, beginning	(P=430,450,658)
Net income during the year	2,500,433
Deficit	(₱427,950,225)

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

- Total Consolidated revenues in the first quarter of 2017 is Php32.734 Million, increased by 189.53% or Php21.428 Million from last year's first quarter revenue of Php11.306 Million. The increase is due to the significant increase in Service Revenue from Php 7.132 Milion last year, it goes up to Php 19.777 Million this year. Service revenues pertains mainly to fees or income earned from the deployment by the Company of professionals to its clients to render IT-related solutions and services. Also, sales revenue increased by Php8.982 Million, from Php3.165 in 2016 to Php12.147 in 2017 and this was mainly due to increase in the sales revenue generated from broadband and software licenses

- Cost and Expenses for the first quarter of 2017 is Php31.722 Million, which is a significant increase from last year's cost and expense of Php14.762 Million. This was brought about by increase in cost of sales of Php 4.350 million from Php1.316 million in 2016 to Php 5.667 in 2017. Other expenses which has a significant increase are Salaries and other benefits which has a Php3.176 million increase, outside services which has a Php2.102 million increase, taxes and licenses which has an increase of Php 2.256 million and transportation and travel which has an increase of Php1.425 million.

- As of March 31, 2017, the total consolidated assets of the Company stood at Php1.574 Billion compared with last year's Php1.495 Billion or an increase of Php79.076 Million. Current Assets increased by Php54.268 Million or 31% from Php173.760 Million 2016 to Php228.028 Million 2017. This was due to the increase in Trade and other receivables by Php 31.590 Million, from last year's Php 85.010 Million, increased to this year's Php 116.600 Million, Amounts owed to related parties increased by Php 861k from last year's Php 76.213 increased to this year's Php 77.073 Million. Other current assets increased by Php18.388 million. Cash increased by Php 3.429 Million, from Php1.986 Million in 2016 it increases to to Php 5.414 Million in 2017. Non-Current Assets increased to Php1.346 Billion from last year's Php 1.321 Billion.

- Current liabilities increased by Php37.866 Million or 20.41% from Php185.543 Million in 2016 to Php223.409 Million in 2017. Accounts Payable and accrued expenses increased by Php6.903 Million or 5.94%, from Php116.133 Million in 2016 it increased to Php123.036 Million in 2017. Non-Current Liabilities decreased by Php 229.747 Million primarily due to the conversion of Php 264 Million from Liability to Equity from Php230.196 million last year it decreases to 449K 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. This was paid in June 2016.

- On December 22, 2016, the Company availed a chattel mortgage amounting to Php564K from a local universal bank for the purchase of a vehicle, which serves as the property mortgage. The new loan requires 60 monthly repayments until November 23, 2021.

- As of March 31, 2017, the total Assets stood at Php1.574 Billion, Liabilities at Php223.857 Million and Equity at Php1.350 Billion.

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 by the undersigned thereunto duly authorized.

Issuer: **MR. MEL V. VELARDE**

Signature and Title: **President**

Date: **May 2017**

Principal Financial/Accounting Officer/Controller **MR. VICENTE I. PENANUEVA**
Signature and Title **Chief Financial Officer**
Date **May 2017**

ANNEX "A"

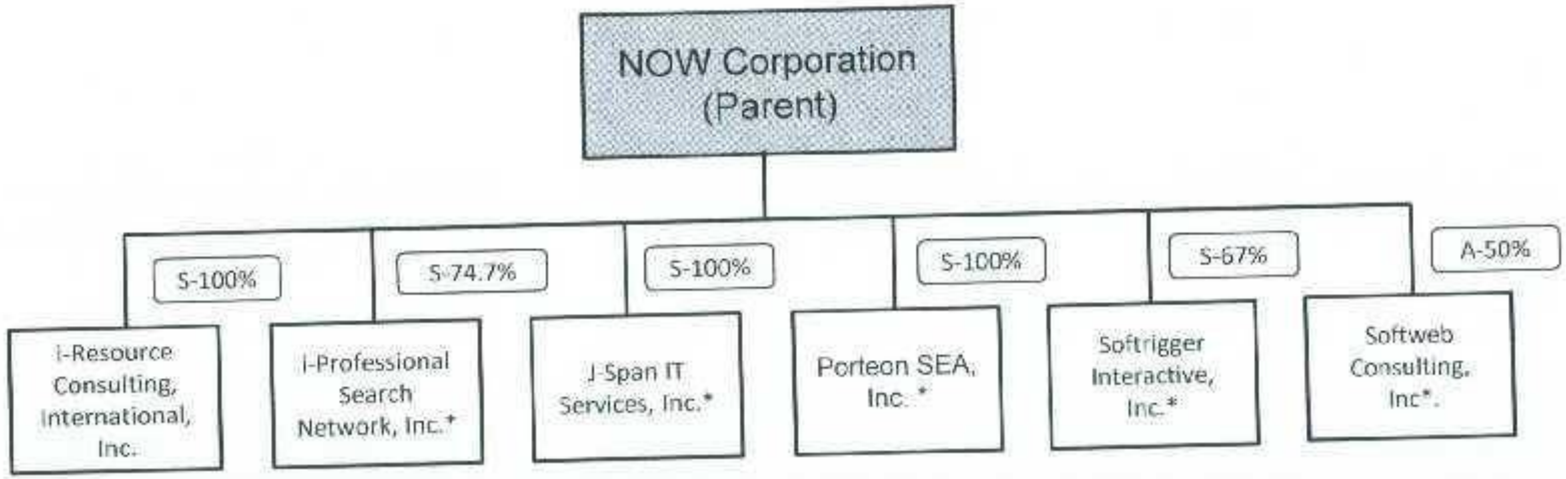
Schedule of Financial Indicators
For the Period March 2017 and 2016

		31-Mar	
		2017	2016
Liquidity	Current Ratio	1.021	0.936
Solvency	Debt to Equity Ratio	0.166	0.385
Equity	Asset to Equity Ratio	1.166	1.385
Interest	Interest Rate Coverage Ratio	73.52	-20.73
Profitability	Profit Margin	57.28%	14.50%
	Return of Assets	0.0006%	-0.23%
	Return of Equity	0.0007%	-0.32%
	Book Value per share	0.890	0.711
	Earnings per share	0.0007	-0.0023

The Financial Indicators are computed as follows:

Liquidity:	Current Ratio = Current Assets/Current Liabilities
Solvency:	Debt to Equity Ratio = Total Liabilities/Total Stockholders' Equity
Equity:	Asset to Equity Ratio = Total Assets/Total Stockholders' Equity
Interest:	Interest Rate Coverage Ratio = Earnings Before Interest and Taxes/Interest Expense
Profitability:	Profit Margin %: Profit margin = Gross Profit/Total Revenue x 100
	Return on Assets %: Return on assets = Net Income/Total Assets x 100
	Return on Equity % = Net Income/Total Stockholders' Equity x 100
	Book Value per share = Total Stockholders' Equity/Average Outstanding Shares
	Earning per share = Net Income/Average Outstanding Shares

NOW Corporation Conglomerate Map



Legend:

S- Subsidiary
A- Associate

As of 31,March 2017

*Non-operational

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of NOW Corporation and have been its independent director since June 06, 2013.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Ubano Sianghio & Lozada Law Offices	Founding Partner	June 2002 to present
Integrated Bar of the Philippines – Western Visayas Region	Governor	2013
Philippine Department of Transportation and Communications	Assistant Secretary for Legal Affairs	2011 to 2013
Integrated Bar of the Philippines – Western Visayas Region	Deputy Governor	2011 to 2013
Integrated Bar of the Philippines	Deputy Director for Peer Assistance	2015 to present
Asean Law Association	Member	2013 to present
Intellectual Property Association of the Phils., Inc.	Member	2012 to present
Integrated Bar of the Philippines – Capiz Chapter	President	2011
Integrated Bar of the Philippines – Capiz Chapter	President	2007-2009
Integrated Bar of the Philippines, Commission on Bar Discipline	Commissioner	2005 to 2007
University of the Philippines, Office of Legal Aid	Supervising Lawyer	March 2005 to 2006
ACCRA Law Offices	Senior Associate	1997 to 2002

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of NOW Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the director/officers/substantial shareholder of Now Corporation, any of its related companies or any of its substantial shareholders with respect to the relationship/s provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding except the following:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Libel	Office of the City Prosecutor of Mandaluyong docketed as I.S. XV-06-INV-17B-00808	Preliminary Investigation

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Now Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of May 2017 at Makati City, Philippines.

MARLOU BUENAFE UBANO
Affiant

Subscribed and sworn to before me this 9th day of May 2017 at Makati City affiant personally appeared before me and exhibited his Integrated Bar of the Philippines (IBP) ID with Roll of Attorneys No. 43196.

Doc No. 504
Page No. 103
Book No. 183
Series of 2017.

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20 Makati City
IBP #1052357 for 2017, Nov. 22, 2016 RSM
PTR #5909501, Jan. 03, 2017 Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439, 9 March 2016
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DOMINGO B. BONIFACIO,** Filipino, of legal age and a resident of 108 Pili Drive, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of NOW Corporation and have been its independent director since 20 January 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Automated Technology (Phils.) Inc. (ATEC)	EVP/General Manager	July 2016 – Present
Automated Technology (Phils.) Inc. (ATEC)	Board Director	December 2016 – Present
Phil. Chamber of Industrial Estates & Ecozones	Board Trustee	2007- Present
Menlo Health and Wellness Innovations, Inc.	Board Director	2016 - Present
El Circulo Masantonelo Scholarship Foundation	Chairman of the Board	2015 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of NOW Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of NOW Corporation, any of its related companies or any of its substantial shareholders with respect to the relationship/s provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of NOW Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

MAY 0 8 2017

Done this 9th day of May 2017 at Makati City, Philippines.

DOMINGO B. BONIFACIO
Affiant

Subscribed and sworn to before me this MAY 0 8 2017 day of May 2017 at Makati City affiant personally appeared before me and exhibited his Tax Identification No. 199-940-876.

Doc No. 92
Page No. 87
Book No. 183
Series of 2017.

ATTY. [illegible] LUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. [illegible] Makati City
IBP #[illegible] for 2017 [illegible]
PTR #5909501 Jan [illegible] 2017 Makati
S.C. Roll No. [illegible]
MCLE Compliance No. V-[illegible]
Unit 301 3rd Flr. [illegible] Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **LUCAS C. CARPIO, JR.**, Filipino, of legal age and with address at Unit 9030A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of NOW Corporation in its Annual Stockholders' Meeting scheduled on 01 June 2017.

2. I am or was affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Carpio & Bello Law Offices	Managing Partner	2014 to Present
Yulo Quisumbing Torres Ali and Bello	Senior Partner	1993 – 2013
Security Bank and Trust Company	In-House Counsel	1984 - 1992
National Prosecution Service – Davao City	Prosecutor	1976 - 1980
Integrated Bar of the Philippines	Member	1976

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of NOW Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of NOW Corporation and its subsidiaries and affiliates with respect to the relationship/s provided under Rule 38 2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

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

Done this 9th day of May 2017 at Pasig City, Philippines.

Lucas C. Carpio Jr.

LUCAS C. CARPIO, JR.
Affiant

MAY 0 9 2017 MANDALUYONG CITY

Subscribed and sworn to before me this 8th day of May 2017 at Pasig City affiant personally appeared before me and exhibited his Office of the Senior Citizens" Affair No. BCC-861.

ATTY. JOSE B. DULNUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 0453-16
IBP Lifetime No. 016085 /Pasig City, 4-[illegible]
PTR NO. [illegible], 1-3-17, Cainta, Rizal
ROLL NO. 2632[illegible]
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL [illegible]
[illegible] GUEVENTVILLE II, 52 D.M.
GUEVARRA ST., MANDALUYONG CITY
Tel No. 532-[illegible], 5324864
Email Add. [illegible]@gmail.com

Doc No. 309
Page No. 6
Book No. 98
Series of 2017.