C O V E R   S H E E T

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C O M P A N Y   N A M E

NOW CORPORATION

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

UNIT 5-I, 5TH FLOOR, OPL BUILDING, 100 C. PALANCA ST., LEGASPI VILLAGE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	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
info@now-corp.com	(632) 750-0461 / (632) 750-0211 / (632) 750-0224	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
70	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
Angeline L. Macasaet	angeline.macasaet@now-corp.com	7750-0211	N/A

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.*

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, 2021**

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 **(632)7750-0211**

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	**1,806,726,314**
PREFERRED STOCK	**60,000,000**

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

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

PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Indicate by check mark whether the registrant:

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

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

Part I. Financial Information

Item1. Financial Statement

NOW CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Current Assets		
Cash	9,706,695	17,270,381
Trade and Other Receivables	307,376,144	305,818,398
Contract Asset	1,370,685	1,370,685
Due from related parties	188,970,601	167,000,555
Other current assets	35,664,252	31,436,115
Total Current Assets	543,088,377	522,896,134
Non Current Assets		
Financial asset at FVOCI	1,581,369,376	1,581,369,376
Advances for investment	600,000,000	600,000,000
Property and equipment	11,911,924	5,339,068
Right of Use Asset	7,421,431	7,327,432
Other noncurrent assets	4,588,076	3,524,139
Total Noncurrent Assets	2,205,290,807	2,197,560,015
Total Assets	**2,748,379,184**	**2,720,456,149**
Liaibilities and Equity		
Current Liabilities		
Trade and other payables	181,861,495	170,510,820
Due to related parties	217,552,714	196,699,905
Lease Liability - current	10,276,580	3,448,511
Current portion of loans payable	65,219,066	76,833,436
Income tax payabe	-	-
Total Current Liabilities	474,909,855	447,492,672
Non Current Liabilities		
Lease Liability - noncurrent	5,212,344	5,116,444
Loans payable	35,042,014	36,689,204
Retirement benefit obligation	3,862,885	3,862,885
Deferred tax liability	634	634
Deposit for future stock subscription	89,000,000	89,000,000
Total Non Current Liabilities	133,117,877	134,669,167
Total Liabilities	608,027,732	582,161,839
Equity		
Equity attributable to equity holders of the Parent Company:		
Capital stock	1,324,708,420	1,324,708,420
Additional paid-in capital	541,569,110	541,569,110
Deposit for future stock subscription	-	-
Equity reserve	(1,978,794)	(1,978,794)
Retained earnings / deficit	(13,169,013)	(14,283,549)
Other comprehensive income:	291,721,234	291,477,118
Noncontrolling interest	(2,499,505)	(3,197,995)
Total Equity	2,140,351,452	2,138,294,310
Total Liabilities and Equity	**2,748,379,184**	**2,720,456,149**

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	YTD MARCH 2021 (Unaudited)	December 31, 2020 (Audited)
REVENUES		
Service Revenue	50,957,425	190,658,559
Sales	75,552	11,064,865
Total Revenues	51,032,977	201,723,424
COST AND EXPENSES		
Cost of services	28,107,603	106,493,182
Cost of sales	64,573	2,610,123
Cost of sales and services	28,172,176	109,103,305
Gross profit	22,860,801	92,620,119
Salaries and other benefits	9,831,984	24,608,855
Outside Services	449,124	3,334,324
Rental	199,103	240,780
Taxes and licenses	1,584,524	4,171,703
Professional fees	2,149,556	9,142,611
Light and water	32,074	46,122
Transportation and travel	970,896	3,287,610
Advertising and promotion	611,076	6,367,009
Depreciation and amortization	1,297,800	9,658,522
Repairs and maintenance	29,180	294,695
Communication & Subscription	1,238,861	2,591,950
Entertainment, amusement and recreation	1,293,468	4,902,756
Supplies	368,288	688,072
Insurance	132,425	345,662
Others- Expenses	362,021	2,010,052
Provision on impairment loss on receivables	0	5,757,512
Impairment	0	0
Operating Expenses	20,550,378	77,448,235
NET OPERATING INCOME (LOSS)	2,310,423	15,171,884
OTHER INCOME (CHARGES)		
Interest expense	(2,292,059)	(11,471,280)
Interest income	1,781,187	7,131,732
Other Income	224,472	-
Other Charges	(44,504)	(80,944)
INCOME (LOSS) BEFORE INCOME TAX	**1,979,518**	**10,751,392**
PROVISION FOR INCOME TAX		
Current	864,982	6,074,367
Deferred		
	864,982	**6,074,367**
NET INCOME	1,114,536	4,677,025

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Mar-31	December 31
	2021	2020
NET INCOME	**1,114,536**	**4,677,025**
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be subsequently reclassified to profit or loss:		
Changes in fair value of investment in equity securities	**0**	**43,653,014**
Remeasurement loss on retirement liability	**0**	**-1,253,152**
Item to be subsequently reclassified to		
profit or loss -	**0**	**16,555**
Cumulative translation adjustments		
	0	**42,416,417**
TOTAL COMPREHENSIVE INCOME (LOSS)	**1,114,536**	**47,093,442**

NOW Corporation and Subsidiaries
Consolidated Statement of Changes in Equity

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Common Stock - P.70 par value		
Authorized -		
Issued and outstanding - 1,806,726,314	1,264,708,420	1,170,800,728
Additional Subscription	0	71,400,000
Equity restructuring	0	-
Debt to equity conversion	0	22,507,692
	1,264,708,420	1,264,708,420
Preferred Share - P1.00 par value		
Issued and outstanding - 60,000,000	60,000,000	-
Subscription	0	60,000,000
	60,000,000	60,000,000
Additional Paid-In Capital		
Balance at beginning of year	541,569,110	208,372,079
Subscription	0	158,100,000
Debt to equity conversion	0	186,492,308
Issuance costs	0	- 11,395,277
Balance at end of year	**541,569,110**	**541,569,110**
Equity reserve	**- 1,978,794**	**- 1,978,794**
Deficit		
Balance at beginning of year	- 14,283,549	- 19,361,578
Equity restructuring		-
Net income (loss)	1,114,535.72	5,078,029
Balance at end of year	**- 13,169,013**	**- 14,283,549**
Other comprehensive income	**291,477,118**	**291,477,118**
Noncontrolling interest	**- 2,499,505.00**	**- 3,197,995.00**
TOTAL EQUITY	**2,140,107,336**	**2,138,294,310**

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Mar-31 2021	**Dec-31** **2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		1,979,518	**10,751,392**
Adjustments for:			
Interest expense		2,292,059	11,471,280
Depreciation and amortization		1,297,800	9,658,522
Interest income	-	1,781,187	-7,131,732
Operating income before working capital changes		**3,788,191**	**24,749,462**
Decrease (increase) in:			
Trade and other receivables	-	1,557,746	-78,715,742
Other current assets	-	4,228,137	3,054,292
Contract assets		-	42,480
Increase (decrease) in:			
Accounts payable and other current liabilities		18,904,709	24,877,238
Retirement liability		-	1,041,636
Net cash used for operations		**16,907,017**	**-24,950,634**
Income taxes paid	-	864,982	-6,074,367
Interest received		1,781,187	37,243
Net cash used in operating activities		**17,823,221**	**-30,987,758**
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances made for investment		-	-469,500,000
Decrease (increase) in:			
Due from related parties	-	21,970,046	46,571,806
Other noncurrent assets	-	1,157,936	-102,612
Additions to:			
Property and equipment	-	7,870,656	-2,367,889
Computer software		-	-2,268,454
Net cash used in investing activities	-	30,998,638	**-427,667,149**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of capital stock		-	**289,500,000**
Loan availment		50,000,000	**–**
Increase in due to related parties		20,852,809	**189,053,413**
Payments of:			
			-9,207,024
Lease liabilities			**-2,592,685**
Loans and Interest	-	65,241,078	**-2,141,048**
Net cash provided by financing activities		**5,611,731**	**464,612,656**
NET INCREASE (DECREASE) IN CASH		**-7,563,686**	**5,957,749**
CASH AT BEGINNING OF YEAR		**17,270,381**	**11,312,632**
CASH AT END OF YEAR		**9,706,695**	**17,270,381**

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	YTD January to March	
	2021	**2020**
Assets		
Current Assets		
Cash	9,706,695	11,133,848
Trade and Other Receivables	307,376,144	218,892,341
Contract Asset	1,370,685	1,413,165
Due from related parties	188,970,601	369,329,518
Other current assets	35,664,252	50,095,169
Total Current Assets	543,088,377	650,864,041
Non Current Assets		
Financial asset at FVOCI	1,581,369,376	1,537,716,362
Advances for investment		
Property and equipment	11,911,924	8,569,230
Right of Use Asset	7,421,431	5,041,047
Other noncurrent assets	4,588,076	2,311,453
Total Noncurrent Assets	2,205,290,807	1,553,638,092
Total Assets	**2,748,379,184**	**2,204,502,133**
Liaibilities and Equity		
Current Liabilities		
Trade and other payables	181,861,495	168,538,661
Due to related parties	217,552,714	98,934,837
Lease Liability - current	10,276,580	65,837,110
Current portion of loans payable	65,219,066	4,176,710
Income tax payabe	-	
Total Current Liabilities	474,909,855	337,487,318
Non Current Liabilities		
Lease Liability - noncurrent	5,212,344	2,109,558
Loans payable	35,042,014	48,430,134
Retirement benefit obligation	3,862,885	1,568,097
Deferred tax liability	634	-
Deposit for future stock subscription	89,000,000	-
Total Non Current Liabilities	133,117,877	52,107,789
Total Liabilities	608,027,732	389,595,107
Equity		
	Equity attributable to equity holders of the Parent Company:	
Capital stock	1,324,708,420	1,170,800,728
Additional paid-in capital	541,569,110	208,372,079
Deposit for future stock subscription	-	209,000,000
Equity reserve	(1,978,794)	(1,978,794)
Retained earnings / deficit	(13,169,013)	(17,447,179)
Other comprehensive income:		249,060,701
Noncontrolling interest	(2,499,505)	(2,900,509)
Total Equity	2,140,351,452	1,814,907,026
Total Liabilities and Equity	**2,748,379,184**	**2,204,502,133**

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	YTD MARCH	
	2021	**2020**
REVENUES		
Service Revenue	50,957,425	42,936,989
Sales	75,552	5,000,003
Total Revenues	51,032,977	47,936,992
COST AND EXPENSES		
Cost of services	28,107,603	23,390,652
Cost of sales	64,573	3,842,485
Cost of sales and services	28,172,176	27,233,137
Gross profit	22,860,801	20,703,855
Salaries and other benefits	9,831,984	7,145,300
Outside Services	449,124	373,639
Rental	199,103	199,103
Taxes and licenses	1,584,524	594,030
Professional fees	2,149,556	1,102,766
Light and water	32,074	37,064
Transportation and travel	970,896	1,254,609
Advertising and promotion	611,076	192,930
Depreciation and amortization	1,297,800	1,900,732
Repairs and maintenance	29,180	120,045
Communication & Subscription	1,238,861	302,881
Entertainment, amusement and recreation	1,293,468	1,067,306
Supplies	368,288	216,428
Insurance	132,425	270,954
Others- Expenses	362,021	210,788
Provision on impairment loss on receivables	0	0
Impairment	0	0
Operating Expenses	20,550,378	14,988,576
NET OPERATING INCOME (LOSS)	2,310,423	5,715,279
OTHER INCOME (CHARGES)		
Interest expense	(2,292,059)	(2,679,834)
Interest income	1,781,187	306
Other Income	224,472	887
Other Charges	(44,504)	(480)
INCOME (LOSS) BEFORE INCOME TAX	**1,979,518**	**3,036,158**
PROVISION FOR INCOME TAX		
Current	864,982	1,225,278
Deferred		
	864,982	**1,225,278**
NET INCOME	1,114,536	1,810,880

NOW CORPORATION AND SUBSIDIARIES
Consolidated Statement of Changes in Equity

	YTD January to March	
	2021	**2020**
Common Stock - P.70 par value		
Authorized -		
Issued and outstanding - 1,806,726,314	1,264,708,420	**1,170,800,728**
Additional Subscription	-	
Equity restructuring	-	
Debt to equity conversion	-	
	1,264,708,420	1,170,800,728
-		
Preferred Share - P1.00 par value		
Issued and outstanding - 60,000,000	60,000,000	-
Subscription	-	
	60,000,000	-
Additional Paid-In Capital		
Balance at beginning of year	541,569,110	**208,372,079**
Subscription	-	
Debt to equity conversion	-	
Issuance costs	-	
Balance at end of year	**541,569,110**	**208,372,079**
Equity reserve	- **1,978,794**	- **1,978,794**
Deposit for future stock subscription		
Balance at beginning of year		
Reclassification		**209,000,000**
Balance at end of year	-	**209,000,000**
Deficit		
Balance at beginning of year	- 14,283,549	**(19,361,578)**
Equity restructuring	-	
Net income (loss)	1,114,536	**1,914,398**
Balance at end of year	- **13,169,013**	- **17,447,180**
Other comprehensive income	291,477,118	249,060,702.00
Noncontrolling interest	- 2,499,505	- 2,900,509.00
	-	
TOTAL EQUITY	**2,140,107,336**	**1,814,907,026**

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Mar-31	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,979,518	**3,036,158**
Adjustments for:	-	
Interest expense	2,292,059	2,679,834
Depreciation and amortization	1,297,800	1,900,732
Interest income	- 1,781,187	-306
Operating income before working capital changes	**3,788,191**	**7,616,418**
Decrease (increase) in:		
Trade and other receivables	- 1,557,746	8,210,315
Other current assets	- 4,228,137	-4,882,013
Contract assets	-	
Increase (decrease) in:	-	
Accounts payable and other current liabilities	18,904,709	23,102,210
Retirement liability	-	
Net cash used for operations	16,907,017	**34,046,930**
Income taxes paid	- 864,982	-550,218
Interest received	1,781,187	306
Net cash used in operating activities	**17,823,221**	**33,497,018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances made for investment	-	
Decrease (increase) in:		
Due from related parties	- 21,970,046	-32,351,646
Other noncurrent assets	- 1,157,936	-106,617
Additions to:		
Property and equipment	- 7,870,656	-1,342,979
Computer software		
Net cash used in investing activities	- 30,998,638	**-33,801,242**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of capital stock	-	
Loan availment	50,000,000	
Increase in due to related parties	20,852,809	**2,298,120**
Payments of:		
Lease liabilities	0	
Loans and Interest	- 65,241,078	**-2,172,680**
Net cash provided by financing activities	**5,611,731**	**125,440**
NET INCREASE (DECREASE) IN CASH	**-7,563,686**	**-178,784**
CASH AT BEGINNING OF YEAR	**17,270,381**	**11,312,632**
CASH AT END OF YEAR	**9,706,695**	**11,133,848**

NOW CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES

	March 31, 2021	March 31, 2020
Current	1,095,230	892,558
1-30 days past due	4,415,338	7,198,116
31-60 days past due	1,924,236	3,595,133
61-90 days past due	18,325,214	978,495
Over 90 days past due	281,616,126	206,228,039
Total	**307,376,144**	**218,892,341**

NOW CORPORATION AND SUBSIDIARIES NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

NOW Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 5, 1996 to initially engage in the purchase and sale of securities. In 2000, the Parent Company's primary purpose was changed to engage in the business of securities brokerage through the use of information technology (IT).

In July 2009, the SEC approved the amendment of the Parent Company's primary purpose from engaging in the securities brokerage business to a technology, media and telecommunication (TMT) business.

On August 25, 2011, the SEC approved the amendment in its Articles of Incorporation (AOI) to include the following secondary purpose:

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.

The Parent Company is a listed entity in the Philippine Stock Exchange.

On December 21, 2016, the Parent Company's Board of Directors (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 the Parent Company's preferred shares. On June 22, 2018, the SEC issued the Certificate of Filing of Enabling Resolution which approved the designation and offering of the Preferred "A" shares. On August 24, 2020, the Parent Company's BOD approved the issuance of these preferred shares to Velarde, Inc. (VI) (see Note 11).

On March 8, 2019, the Parent Company's stockholders approved the reduction of the Parent Company's authorized common stock from ₱2,060.0 million equivalent to 2,060,000,000 common stock at ₱1.00 par value a share to ₱1,442.0 million equivalent to 2,060,000,000 common stock at ₱0.70 par value a share. The resulting additional paid-in capital (APIC) of ₱455.2 million was used to eliminate the Parent Company's accumulated deficit of ₱402.1 million as at December 31, 2018. This was approved by the SEC on September 6, 2019 (see Note 11).

The Parent Company has the following subsidiaries:

Company Name	Nature of Business	Percentage of Effective Ownership 2020	2019	2018
J-Span IT Services, Inc. (JSIT)	Service	**100**	100	100
Porteon SEA, Inc. (Porteon)	Manufacturing	**100**	100	100
I-Resource Consulting International, Inc. (I-Resource)	Service	**100**	100	100
I-Professional Search Network, Inc. (I-Professional)	Service	**75**	75	75
Softrigger Interactive, Inc. (Softrigger)	Service	**67**	67	67

The Parent Company and its subsidiaries are collectively referred hereinto as "the Group". All the subsidiaries were incorporated in the Philippines, except for JSIT, which was incorporated in Japan.

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

The consolidated financial statements of the Group as at and for the years ended December 31, 2020 and 2019 (with comparative figures and information for 2018) were approved and authorized for issue by the BOD on April 13, 2021.

Certificates and Agreements

On November 27, 2015, the National Telecommunications Commission (NTC) issued a Certificate of Registration (CoR) to the Parent Company that will authorize it as a value-added services (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, which expired on November 26, 2020, was renewed for another five (5) years, or until November 26, 2025.

In 2015, the Parent Company entered into three (3) separate agreements with NOW Telecom Company, Inc. (NOW TEL), NOW Cable, Inc. (formerly GHT Network, Inc.) (NOW Cable) and News and Entertainment Network Corporation (NewsNet) (the Parties), wherein the Parties mutually agreed to interconnect their respective networks for the Parent Company to provide VAS to the public (VAS contracts) (see Note 12). In 2020, the VAS agreement between the Parent Company and NOW TEL was renewed for another five (5) years under the same terms and conditions, while the agreements with NOW Cable and NewsNet were replaced with new service agreements with a term of three (3) years beginning January 1, 2020.

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1. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, which is the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the Parent Company's investment in equity securities which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of consideration received in exchange for incurring a liability.

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 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 best economic interest.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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.

Further information about the assumptions made in measuring fair value is included in Notes 7 and 21.

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* - *Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, *Leases – Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Several other amendments apply for the first time in 2020, but are not relevant to the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective
Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Deferred effectivity **-**

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiaries. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than majority of the voting or similar rights of an investee, the Parent Company 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 arrangement; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company 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 Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income from the date the Parent Company gains control until the date the Parent Company 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 Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

Non-controlling interest represents the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of income and consolidated statements of comprehensive income.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity, if any;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of component previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

The assets and liabilities of JSIT are translated into the presentation currency of the Parent Company at the exchange rate as at reporting date while the income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are presented as "Cumulative translation adjustments" under the equity account in the consolidated statements of financial position.

In 2017, VI 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%. This resulted to an equity reserve amounting to ₱2.0 million in 2017.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the consolidated statements of financial position when the Group becomes a party to those contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and, (c) financial assets at FVPL. The classification of a financial asset largely depends on the Group's business model and its contractual cash flow characteristics. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2020 and 2019, the Group does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Cash (which includes cash on hand and cash in banks), trade and other receivables (excluding advances to officers and employees), contract assets, due from related parties and security deposits (included as part of "Other noncurrent assets" account) are classified under this category.

Financial Assets Designated at FVOCI. The Group may irrevocably designate an equity instrument that is not held for trading to be measured at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity instruments, any cumulative valuation gains or losses will be reclassified to retained earnings.

Investment in equity securities are classified under this category.

Financial Liabilities at Amortized Cost*.* Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Accounts payable and other current liabilities (excluding statutory payables and deferred output VAT), due to related parties, short-term loans, long-term loans and lease liabilities are classified under this category.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

A financial asset that has been designated at FVOCI may no longer be reclassified to a different category.

Impairment of Financial Assets at Amortized Cost
The Group recognizes an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and contract assets, the Group has applied the simplified approach in measuring ECL. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial assets at amortized cost, which mainly comprise of cash in banks, due from related parties and security deposits, the Group applies the general approach in measuring the ECL. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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 when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial 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.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

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

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>Contract Balances</u>

Contract Assets. A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. Contract assets are reclassified to trade receivables when payment is due from the customers.

Contract Liabilities. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer. Contract liabilities are recognized as revenue when the Group performs its obligations under the contract.

<u>Value-Added Tax (VAT)</u>
VAT represents the net amount of VAT recoverable from or payable to the tax authorities. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from or payable to the tax authorities is presented as part of "Other current assets" or "Statutory payables" under "Accounts payable and other current liabilities" accounts in the consolidated statements of financial position.

Other Current Assets

Other current assets mainly include creditable withholding taxes (CWT), prepayments, inventories, input VAT and deferred input VAT.

CWT. CWT represents the amount withheld by the Company's customer in relation to its income. CWT 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.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

Inventories. Inventories are valued at the lower of cost and NRV. Cost is determined using the weighted average method. All costs directly attributable to acquisition such as the purchase price, transport cost and taxes that are not subsequently recoverable from tax authorities are included as part of the cost of inventories.

The NRV of inventories is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In determining the NRV, the Group considers any adjustment necessary for obsolescence.

When the NRV of inventories is lower than its cost, the inventories are written down to its NRV and the excess of the cost over the NRV is charged to profit or loss.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods with an aggregate acquisition cost in each of the calendar months exceeding ₱1.0 million claimed and credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT over no more than 12 months after the reporting date. Otherwise these are classified as noncurrent assets.

Deferred input VAT also represents the unpaid portion of availed services.

Investment in an Associate

An associate is an entity in 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 investment in an associate is accounted for under the equity method in the consolidated financial statements, as provided for under PAS 28, *Investment in Associates*. Under the equity method, the investment in associate is initially recognized at cost. Subsequent to initial recognition, the Group recognizes income to the extent of its share in the profit or loss of the associate. Distributions received reduce the carrying amount of the investment.

The carrying amount of the investment is adjusted to recognize changes in the share of the Group in the net asset of the associate since the acquisition date. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at the end of each reporting date whether there is any objective evidence that investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and its recoverable amount and recognized 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 investment in associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Number of Years
Office and IT equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	2 to 3
Leasehold improvements	5 or lease term, whichever is shorter

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation amortization are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Fully-depreciated and amortized assets are retained as property and equipment until these are no longer in use.

Computer Software
Computer software is stated at cost less accumulated amortization and any impairment in value. The Group capitalizes computer software licensing costs which are being amortized, once available for its intended use, using the straight-line method over three years, the estimated finite useful life of the computer software. The amortization of the computer software is included under "Depreciation and amortization" account.

The estimated useful life and amortization method are reviewed regularly to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from the computer software.

An item of computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognized.

The carrying amount of the computer software is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position.

Impairment of Nonfinancial Assets
Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other

assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After the reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Output VAT

Deferred output VAT represents the VAT amount on credit sales that is not due to the tax authority until the corresponding amount of receivable is collected. This is recorded under "Trade and other payables" account in the consolidated statements of financial position.

Deposits for Stock Subscription

Deposits for stock subscription represent funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposits for stock subscription are recognized as equity if and only if, all of the following elements forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract, unless the deposit is specific for a proposed increase in capital;
- There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposits for stock subscription are recognized as liability.

Equity

Capital Stock and APIC. Capital stock is measured at the par value for all shares issued. Proceeds or fair value of consideration received in excess of par value are recognized as APIC. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related APIC or retained earnings.

Equity Reserve. Equity reserve pertains to the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received as a result of change in the ownership interest of a subsidiary.

Deficit. Deficit represents the cumulative balance of the net income or loss, net of any dividend declaration.

Other Comprehensive Income. OCI comprises of items of income and expenses that are not recognized in profit or loss. OCI represents cumulative unrealized gain on investment in equity securities, cumulative translation adjustments, and cumulative remeasurement loss on retirement liability.

Revenue Recognition

Revenue from Contract with Customers

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group's revenue from contracts with customers generally include broadband service contracts which are either offered separately or bundled with software licenses, contracts on sale and/or installation of software licenses, management service contracts and manpower augmentation service contracts.

Revenue from broadband service contracts offered separately, management service contracts and manpower augmentation service contracts are based on a fixed sales price and are recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from contracts on sale and/or installation of software licenses are recognized at the point in time when substantial control on the goods or service is transferred to the customer. The revenue from these contracts are based on a fixed sales price.

Revenue from broadband service contracts bundled with software licenses comprises two performance obligations, the promise to provide broadband service and transfer software licenses, which are distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the broadband services and software license. The Group recognizes revenue from broadband services over time because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the transfer of software licenses are recognized at a point in time, generally upon the delivery of the software licenses when the control of the goods is transferred to the customers.

Revenue is disaggregated and presented as "Service fees" and "Sale of goods" respectively, in the consolidated statements of income.

Service Fees. Fees are recognized when the related services have been rendered.

Sale of Goods. Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from sale of goods is measured at the fair value of the consideration received, excluding sales taxes, discounts, returns and rebates, if any.
The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

Other Sources of Revenue

Interest Income. Income is recognized as the interest accrues taking into account the effective yield on the assets.

Other Income. Income from other sources is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability, other than distributions to equity participants, has arisen that can be measured reliably.

Cost of Services. Cost of services mainly pertains to the salaries of manpower rendering the broadband services and installation of licenses, as well as the salaries of deployed employees under the manpower augmentation contracts. These are recognized as the services are rendered.

Cost of Sales. Cost of sales mainly pertains to purchases of software licenses. These are generally recognized when related goods are sold.

Operating Expenses. Operating expenses constitute costs of administering the business and costs incurred to sell and market the services. These are expensed as incurred.

Interest Expense. Interest expense arising from borrowed funds are recognized in profit or loss using the effective interest method.

Employee Benefits

Short-term Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Retirement Benefits. The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement liability is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs and interest costs in profit or loss.

Current service costs pertain to the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Interest on the retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability. Interest is calculated by applying the discount rate to the retirement liability.

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

Accounting policies applicable beginning January 1, 2019
The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

a) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
b) the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis.

For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Group will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

ROU Assets. At commencement date, the Group measures ROU assets at cost, which is comprised of the following:

a) the amount of the initial measurement of lease liabilities;
b) any lease payments made at or before the commencement date less any lease incentives received;
c) any initial direct costs; and
d) an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability consist of the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees; and
d) the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.
If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate after considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Accounting policies applicable prior to January 1, 2019
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

Income Taxes

Current Tax. Current tax is the expected tax payable on the taxable income for the year, using the tax rate enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided 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 tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from net operating loss carry-over (NOLCO) and excess of minimum corporate income taxes (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax credits from NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws in effect at the reporting date.

Deferred tax is recognized in profit or loss, except to the extent that it relates to items directly recognized in OCI.

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

Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent

Basic EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common stock outstanding during the year with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the EPS effect of potential dilutive common stock would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Related Parties

A related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligation between a reporting entity and a related party.

A related party transaction is considered material if the transaction/s, either individually, or in aggregate over a twelve-month period with the same related party, amounts to ten percent (10%) or higher of a Group's total consolidated assets based on its latest consolidated financial statements.

Operating Segments

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 23.

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 the rate at transaction date and the 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 the 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 exchange rates. The income and expense presented in profit or loss (including comparatives) are translated at the exchange rates at the dates of the transactions, where determinable, or at the weighted exchange average rate during the reporting period. The exchange differences arising from the translation to the presentation currency are recognized as a separate component of equity under the "Cumulative translation adjustment" account in the consolidated statements of financial position.

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

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Events After the Reporting Date

Post year-end events that provide additional information about the Group's consolidated financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

2. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, accounting estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. The judgments and accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. Such estimates will be adjusted accordingly when the results become determinable.

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

Judgments

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

Recognition of Revenue. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

1. *Identification of Performance Obligations.* The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

   The Group provides broadband services that are either sold separately or bundled with software licenses. The sale of software licenses contains a promise to transfer goods which are part of the negotiated exchange between the Group and the customer.

   The Group determined that both the sale of broadband services and software licenses are capable of being distinct. The fact that the Group regularly sells both broadband services and software licenses on a stand-alone basis indicates that the customer can benefit from both products on their own. The Group allocates a portion of the transaction price to the broadband services and the software licenses based on relative stand-alone selling prices.

2. *Timing of Revenue Recognition.* The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

   The Group concluded that revenue from broadband services, management services and manpower augmentation services are to be recognized over time, since the customers simultaneously receive and consume the benefits as the Group provides the services. Other revenue sources are recognized at a point in time.
3. *Identification of the Methods for Measuring Progress of Revenue Recognized Over Time*. The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

   Revenue from broadband services is recognized through the use of input method wherein recognition is over time based on the customer subscription period since the customer simultaneously receives and consumes the benefits as the Group renders the services.

Establishment of Control over Subsidiaries. The Group determines that it has control over its subsidiaries by considering, among others, its power over 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. The following factors are also considered:

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

Determination of Significant Influence over the Investee. The Group determines that it has significant influence when it has a holding of 20% to 50% of the voting power of the investee, unless it can be clearly demonstrated that this is not the case. Conversely, a holding of less than 20% of the voting power is presumed not to give rise to significant influence, unless it can be clearly demonstrated that there is in fact significant influence.

The Group considers its 50% equity interest in Softweb Consulting, Inc. (Softweb) as an 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, such as the representation on the BOD of Softweb wherein the Group has two (2) representatives out of the five (5) BOD members. On this basis, the Group has determined that it has significant influence, but neither control nor joint control, over the financial and operating policy decisions over Softweb.
The Group has 19% equity interest in NOW TEL. Critical judgment was exercised to assess whether the Group demonstrates significant influence over NOW TEL, such as the representation of the Group on the BOD of NOW

TEL, wherein the Company has only one (1) representative out of the eight (8) BOD members. On this basis, the Group has assessed that it has no significant influence over NOW TEL.

Classification of Lease Commitments – the Group as a Lessee. The Group has entered into leases for office spaces, parking spaces and roof decks. Beginning January 1, 2019, the Group recognized lease liabilities on the Group's noncancellable leases, based on the present value of lease payments over the lease term using the Group's incremental borrowing rate, and ROU assets based on the amount of lease liabilities, adjusted by the amount of any prepaid or accrued rent.

The Group availed the exemption for short-term leases on its lease of parking spaces and certain office space and roof decks with terms of 12 months or less. Accordingly, lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

The carrying amounts of the Group's ROU asset and lease liability as at December 31 are as follows:

	Note	**2020**	2019
ROU assets	14	**₱7,327,432**	₱5,041,047
Lease liabilities	14	**8,564,955**	6,052,935

Rent expense on short-term leases amounted to ₱4.0 million and ₱3.3 million in 2020 and 2019, respectively (see Note 14).

Prior to January 1, 2019, the Group evaluated the terms and conditions of its lease agreements if there will be 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 lessors. Thus, the leases were classified as operating leases.

Rent expense amounted to ₱5.2 million in 2018 (see Note 14).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below.

Assessment of the ECL on Financial Assets at Amortized Cost. The Group estimates ECL on trade receivables and contract assets using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

For other financial assets at amortized cost, the Group applies the general approach in measuring the ECL. The Group assessed that cash in banks are deposited with reputable counterparty banks that possess good credit ratings. For security deposits on lease contracts, the Group considered the financial capacity of the lessors to refund the deposits once the lease agreement has been terminated. For related party transactions, the Group considered the available liquid assets of the related parties, letter of support from the stockholders and the mitigation of credit exposure through legally enforceable rights.

The Group assesses that a financial asset is considered credit impaired when one or more events that have a detrimental effect on the estimated future cash flows of the asset have occurred, such as significant financial difficulty of the borrower.

The Group recognized provision for impairment on trade and other receivables amounting to ₱5.8 million and ₱0.5 million in 2020 and 2019, respectively (₱0.7 million in 2018) (see Note 5).
The carrying amounts of financial assets at amortized cost are as follows:

	Note	**2020**	2019
Cash in banks	4	**₱17,035,263**	₱10,468,081
Trade and other receivables (excluding advances to officers and employees)	5	**301,966,987**	226,039,336
Contract assets	15	**1,370,685**	1,413,165

Due from related parties	12	**167,000,555**	336,977,872
Security deposits (recorded as part of "Other noncurrent assets")	6	**1,053,818**	941,432

Determination of the Fair Value of Financial Instruments. PFRS requires certain financial assets to be carried at fair value which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit or loss or OCI.

The valuation technique, assumptions and key inputs used by the Group in determining the fair value of the investment in NOW TEL are disclosed in Note 7.

Determination of the NRV of Inventories. The Group estimates the allowance for inventory losses related to telecommunication tools and supplies whenever the NRV of these inventories becomes lower than cost due to damage, physical deterioration or obsolescence.

No write-down for inventory losses was recognized in 2020 and 2019 (in 2018). Inventories at cost amounted to ₱4.8 million and ₱4.9 million as at December 31, 2020 and 2019, respectively (see Note 6).

Estimation of the Useful Lives of Property and Equipment, ROU Assets and Computer Software. The useful lives of the Group's property and equipment, ROU assets and computer software are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated if expectations differ from previous estimates.

There were no changes in the useful lives of the Group's property and equipment, ROU assets and computer software in 2020 and 2019 (in 2018).

Depreciation and amortization aggregated ₱9.7 million and ₱11.2 million in 2020 and 2019, respectively (₱7.3 million in 2018). The carrying amounts of property and equipment, ROU assets and computer software aggregated ₱15.0 million and ₱15.2 million as at December 31, 2020 and 2019, respectively (see Notes 6, 8 and 14).

Assessment for the Impairment of Nonfinancial Assets. The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets 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.

Management has assessed that there are no indications of impairment on the nonfinancial assets in 2020 and 2019 (in 2018).

The carrying amounts of the nonfinancial assets are as follows:

	Note	**2020**	2019
Other current assets (excluding inventories)	6	**₱26,600,678**	₱40,980,087
Property and equipment	8	**5,339,068**	9,126,983
ROU assets	14	**7,327,432**	5,041,047
Other noncurrent assets (excluding security deposits)	6	**2,470,321**	1,245,103

Estimation of the Retirement Liability. The determination of the liability and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. Actual results that differ from the Group's assumptions are accumulated and recorded in OCI. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

Retirement expense amounted to ₱1.0 million and ₱0.6 million in 2020 and 2019, respectively (₱0.5 million in 2018). The retirement liability amounted to ₱3.9 million and ₱1.6 million as at December 31, 2020 and 2019, respectively (see Note 13).

Assessment of the Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date are reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group did not recognize deferred tax assets amounting to ₱13.4 million and ₱10.9 million as at December 31, 2020 and 2019, respectively (see Note 18). The Group has assessed that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

4. Cash

This account consists of:

	2020	2019
Cash on hand	**₱235,118**	₱844,551
Cash in banks	**17,035,263**	10,468,081
	₱17,270,381	₱11,312,632

Cash in banks earn interest at prevailing bank deposit rates.

Details of interest income recognized in profit or loss are presented below:

	Note	**2020**	2019	2018
Cash in banks		**₱37,243**	₱54,793	₱585,460
Due from related parties	12	**7,094,489**	7,092,270	980,802
		₱7,131,732	₱7,147,063	₱1,566,262

As of March 31, 2021, Cash amounted to ₱9,706,695 (March 31, 2020: ₱11,133,848).

5. Trade and Other Receivables

This account consists of:

	Note	**2020**	2019
Trade:			
Related parties	12	**₱237,281,782**	₱174,311,811
Third parties		**104,773,817**	86,058,625
Advances to officers and employees		**3,851,411**	1,063,320
		345,907,010	261,433,756
Less allowance for impairment loss		**40,088,612**	34,331,100
		₱305,818,398	₱227,102,656

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

Advances to officers and employees pertain to cash advances for use in day-to-day operations and are liquidated within one month from the date of grant of cash advance.

Movements in allowance for impairment loss are as follows:

	Note	**2020**	2019
Balance at beginning of year		**₱34,331,100**	₱33,854,838
Provision	17	**5,757,512**	476,262
Balance at end of year		**₱40,088,612**	₱34,331,100

Trade and other receivables totaled ₱307,376,144 and ₱218,892,341 as of March 31, 2021 and 2020, respectively.

6. Other Assets

Other Current Assets

This account consists of:

	2020	2019
CWT	**₱16,920,787**	₱17,731,703
Prepayments	**7,529,134**	20,015,531
Inventories	**4,835,437**	4,908,129
Deferred input VAT	**1,021,227**	1,983,807
Input VAT	**262,074**	380,840
Others	**867,456**	868,206
	₱31,436,115	₱45,888,216

Prepayments include deferred transaction costs aggregating ₱14.6 million as at December 31, 2019 in connection with the Parent Company's planned offering of redeemable, convertible, non-participating and non-voting Peso-denominated preferred shares (see Note 11). In 2020, the Parent Company's BOD approved the issuance of the preferred shares to VI. Accordingly, the deferred transaction costs were recognized as follows: (a) ₱11.4 million as a deduction to APIC, and (b) ₱3.2 million as part of "Professional fees" under "Operating expenses" account in the consolidated statements of income.

Inventories, pertaining to telecommunication tools and supplies, are measured at cost. Cost of inventories charged to cost of sales and services amounted to ₱2.0 million and ₱3.5 million in 2020 and 2019, respectively (₱1.3 million in 2018)

Other current assets totaled ₱35,664,252 and ₱50,095,169 as of March 31, 2021 and 2020, respectively.

Other Noncurrent Assets

This account consists of:

	Note	**2020**	2019
Computer software		**₱2,305,886**	₱1,075,781
Security deposits	14	**1,053,818**	941,432
Trademarks		**75,210**	75,210
Others		**89,225**	94,112
		₱3,524,139	₱2,186,535

Movements in the computer software are as follows:

	Note	2020	2019
Cost			
Balance at beginning of year		**₱2,722,956**	₱2,722,956
Additions		**2,268,454**	–
Balance at end of year		**4,991,410**	2,722,956
Accumulated Amortization			
Balance at beginning of year		**1,647,175**	1,173,832
Amortization	8	**1,038,349**	473,343
Balance at end of year		**2,685,524**	1,647,175
Carrying Amount		**₱2,305,886**	₱1,075,781

In 2019, the Group started using the computer software in its operations.

Other noncurrent assets totaled ₱4,588,076 and ₱2,311,453 as at March 31, 2021 and 2020, respectively.

7. Investments and Advances

This account consists of the following:

	2020	2019
Equity securities	**₱1,581,369,376**	₱1,537,716,362
Advances for investment	**600,000,000**	–
	₱2,181,369,376	₱1,537,716,362

The Group has the following investments:

	2020	2019
Investments in:		
Equity securities at FVOCI	**₱1,581,369,376**	₱1,537,716,362
Associate	**6,000,000**	6,000,000
Total	**1,587,369,376**	1,543,716,362
Less cumulative share in net losses of an associate	**6,000,000**	6,000,000
	₱1,581,369,376	₱1,537,716,362

Investments in Equity Securities

The Parent Company has 2,656,580 shares equivalent to a cost of ₱1,289.3 million or 19% equity share in NOW TEL.

On February 22, 2018, NOW TEL secured an extension of its congressional franchise for a period of 25 years or until 2043 under Republic Act No. 10972. The franchise allows NOW TEL to operate mobile radio systems such as paging systems, cellular phone systems, personal communication network and any other similar systems in or outside the country. On September 5, 2019, NOW TEL's provisional authority to operate a cellular mobile telephony system was extended until March 6, 2022.

On June 6, 2019, the Parent Company's stockholders approved to increase its equity share in NOW TEL to 30% by way of a share swap transaction between the Parent Company and NOW TEL's stockholders, and delegated the finalization of the share swap price and other terms to the Parent Company's BOD. As at April 13, 2021, the details and other terms of the share swap is not yet finalized.

In 2020, the Parent Company made advances to NOW TEL amounting to ₱600.0 million for future investment in the form of cash infusion amounting to ₱469.5 million and existing advances amounting to ₱130.5 million.

Valuation using Discounted Cash Flow Method

The Parent Company's investment in NOW TEL was valued using the discounted cash flow (DCF) method, which is an example of an income approach of determining fair value and measured at Level 3 (significant unobservable inputs). In DCF, the fair value is determined by estimating future cash flows arising from the asset for a specified period and discounting them using the weighted average cost of capital (WACC).

The following are the key inputs used for the valuation of the investment in NOW TEL using DCF:

a. *Prospective financial information.* Management-prepared prospective financial information for NOW TEL's future cash flows from revenues, costs, capital expenditures and earnings for 25 years, or the term of NOW TEL's franchise approved in 2018. The prospective financial information include future cash flows arising from the mobile and fixed broadband services to be offered by NOW TEL.

b. *Growth rate estimates.* Growth rate is based on the forecasted compounded annual growth rate of the mobile data and fixed broadband service industry in the Philippines, as estimated by a market research company. The long-term growth rate used to extrapolate the future cash flows from the investment in NOW TEL excludes expansions and possible acquisitions in the future.

c. *WACC.* This discount rate reflects management's estimate of risks within the cash-generating units. This is the benchmark used by the management to assess operating performance. In determining appropriate discount rates, regard has been given to various market information, including but not limited to, ten-year government bond yield, bank lending rates and market risk premium.

Sensitivity analysis. An increase (a decrease) in the prospective financial information arising from future cash flows would result to an increase (a decrease) in the fair value of the investment. An increase (a decrease) in growth rate estimates would result to an increase (a decrease) in the fair value of the investment. An increase (a decrease) in WACC estimates would result to a decrease (an increase) in the fair value of the investment.

A summary of the significant unobservable inputs used in DCF is as follows:

	2020	2019
Prospective financial information (average future cash flows over the duration of NOW TEL's franchise)	₱3,932,022,180	₱3,753,501,927
Growth rate	1.87%	4.09%
WACC	4.70%	8.77%

Movements in the cumulative unrealized gain on fair value of investment in equity instruments are as follows:

	2020	2019
Balance at beginning of year	**₱248,438,012**	₱48,359,740
Unrealized gain on fair value changes	**43,653,014**	200,078,272
Balance at end of year	**₱292,091,026**	₱248,438,012

Investment in an Associate

The Group has an investment amounting to ₱6.0 million equivalent to 50% equity interest in Softweb. Softweb specializes in Lotus consulting and training services.

The Group's share in the losses of Softweb has already exceeded the cost of its investment. Accordingly, the carrying amount of the investment in Softweb as at December 31, 2020 and 2019 is nil. The unrecognized share in net loss amounted to ₱7.1 million as at December 31, 2020 and 2019. The Group does not have any legal or constructive obligation to make payments on behalf of Softweb.

The Group also has advances amounting to ₱5.0 million pertaining to a deposit for stock subscription. This amount was already fully provided with allowance for impairment loss as at December 31, 2020 and 2019 (see Note 12).

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8. Property and Equipment

Movements in this account are as follows:

	2020				
	Office and IT Equipment	**Transportation Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost					
Balance at beginning of year	**₱34,367,271**	**₱19,825,008**	**₱1,502,081**	**₱4,937,446**	**₱60,631,806**
Additions	**1,672,889**	**695,000**	**–**	**–**	**2,367,889**
Balance at end of year	**36,040,160**	**20,520,008**	**1,502,081**	**4,937,446**	**62,999,695**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**28,254,233**	**16,994,045**	**1,319,099**	**4,937,446**	**51,504,823**
Depreciation and amortization	**5,304,411**	**838,325**	**13,068**	**–**	**6,155,804**
Balance at end of year	**33,558,644**	**17,832,370**	**1,332,167**	**4,937,446**	**57,660,627**
Carrying Amount	**₱2,481,516**	**₱2,687,638**	**₱169,914**	**₱–**	**₱5,339,068**

	2019				
	Office and IT Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱28,923,016	₱19,825,008	₱1,449,863	₱4,937,446	₱55,135,333
Additions	5,444,255	–	52,218	–	5,496,473
Balance at end of year	34,367,271	19,825,008	1,502,081	4,937,446	60,631,806
Accumulated Depreciation and Amortization					
Balance at beginning of year	21,134,048	16,073,361	1,304,070	4,937,446	43,448,925
Depreciation and amortization	7,120,185	920,684	15,029	–	8,055,898
Balance at end of year	28,254,233	16,994,045	1,319,099	4,937,446	51,504,823
Carrying Amount	₱6,113,038	₱2,830,963	₱182,982	₱–	₱9,126,983

Transportation equipment with carrying amount of ₱0.1 million and ₱0.2 million as at December 31, 2020 and 2019, respectively, is held as collateral for the BDO Unibank, Inc. (BDO) Loan (see Note 10).
Cost of fully depreciated property and equipment that are still used in operations amounted to ₱41.1 million and ₱32.5 million as at December 31, 2020 and 2019, respectively.

Depreciation and amortization recognized as part of "Operating expenses" in the consolidated statements of income is presented below (see Note 17):

	Note	**2020**	2019	2018
Property and equipment		**₱6,155,804**	₱8,055,898	₱7,308,886
ROU assets	14	**2,464,369**	2,652,290	–
Computer software	6	**1,038,349**	473,343	725
		₱9,658,522	₱11,181,531	₱7,309,611

9. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	**2020**	2019
Trade:			
Third parties		**₱28,978,185**	₱20,479,027
Related parties	12	**14,026,542**	13,232,567
Accrued expenses:			
Interest	12	**59,903,586**	59,903,586
Others		**24,107,974**	16,458,576
Deferred output VAT		**39,219,740**	33,099,297
Statutory payables		**4,274,793**	2,481,972
		₱170,510,820	₱145,655,025

Trade payables to third parties include amounts due to suppliers of software licenses, materials and supplies and other services directly related to operations. These are noninterest-bearing and are generally on a 30 to 60 days term.

Other accrued expenses pertain to accruals for professional fees, outside services and other operating expenses. These are unsecured, noninterest-bearing and are normally settled within the next reporting year.

Statutory payables include output VAT payable, withholding taxes payable and payables to various government agencies which are normally settled within the following month.

Accounts payable and other Current liabilities totaled Php181,861,495 and Php168,538,661 for the three month ended March 2021 and 2020 respectively.

10. Short-term and Long-term Loans

This account consists of:

	2020	2019
Short-term loans	**₱62,000,000**	₱64,000,000
Long-term loans	**51,522,640**	202,789
	₱113,522,640	₱64,202,789

Short-term Loans

Short-term loans consist of:

	2020	2019
Land Bank of the Philippines (Land Bank)	**₱50,000,000**	₱50,000,000

Third party	**12,000,000**	14,000,000
	₱62,000,000	₱64,000,000

Land Bank Loan
The Parent Company availed of an unsecured, short-term loans aggregating ₱50.0 million with Land Bank. The loans carry annual interest rates ranging from 6.50% to 9.75% in 2020 and 4.80% to 7.35% in 2019 (4.80% to 6.74% in 2018) and have maturity dates ranging between three (3) months and six (6) months. The loan was fully paid on January 15, 2021. On February 10, 2021, the Parent Company secured another set of short-term loans totaling ₱50.0 million with Land Bank.

Loans from a Third Party
In 2019, the Parent Company availed of unsecured loans aggregating ₱14.0 million from a third party, mainly to fund its working capital requirements. The loans have a term of six (6) months and carry an interest rate of 8.00% per annum. In 2020, the maturities of the loans aggregating ₱12.0 million were further extended up to September 22, 2021. The Parent Company paid ₱2.0 million in 2020.

Long-term Loans
Long-term loans consist of:

	2020	2019
Producers Savings Bank Corporation (PSBC)	**₱51,400,055**	₱49,550,594
BDO	**122,585**	202,789
Principal	**51,522,640**	49,753,383
Current portion	**14,833,436**	1,837,110
Noncurrent portion	**₱36,689,204**	₱47,916,273

PSBC Loan
On October 31, 2018, the Parent Company obtained a five-year, unsecured, ₱50.0 million loan agreement with PSBC maturing on October 31, 2023. The loan carries an interest rate of 8% per annum.

BDO Loan
On December 22, 2016, the Parent Company availed of a chattel mortgage loan of ₱564,800 from BDO for the purchase of a vehicle, which serves as the property mortgaged. The loan has a term of five (5) years or until November 23, 2021, and bears an interest rate of 9.44% per annum.

The carrying amount of the collateral amounted to ₱0.1 million and ₱0.2 million as at December 31, 2020 and 2019, respectively (see Note 8).

Interest Expense
Details of interest expense recognized in profit or loss are as follows:

	Note	2020	2019	2018
Interest expense on:				
Short-term loans		**₱4,480,348**	₱4,190,476	₱2,299,212
Long-term loans		**6,636,981**	6,044,443	1,025,512
Lease liabilities	14	**353,951**	399,442	–
		₱11,471,280	₱10,634,361	₱3,324,724

11. Capital Stock and Additional Paid-in Capital

Common Stock
Movements in common stock are presented below:

	2020		2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - ₱0.70 par value in 2020 and 2019 and ₱1.00 par value in 2018						
Balance at beginning of year	**2,060,000,000**	**₱1,442,000,000**	2,060,000,000	₱2,060,000,000	2,060,000,000	₱2,060,000,000
Effect of decrease in par value	**–**	**–**	–	(618,000,000)	–	–
Balance at end of year	**2,060,000,000**	**₱1,442,000,000**	2,060,000,000	₱1,442,000,000	2,060,000,000	₱2,060,000,000
Issued and outstanding						
Balance at beginning of year	**1,672,572,468**	**₱1,170,800,728**	1,517,278,350	₱1,517,278,350	1,517,278,350	₱1,517,278,350
Additional issuance	**102,000,000**	**71,400,000**	–	–	–	–
Debt to equity conversion	**32,153,846**	**22,507,692**	155,294,118	108,705,883	–	–
Effect of decrease in par value	**–**	**–**	–	(455,183,505)	–	–
Balance at end of year	**1,806,726,314**	**₱1,264,708,420**	1,672,572,468	₱1,170,800,728	1,517,278,350	₱1,517,278,350

Debt-to-Equity Conversion and Additional Issuances
On April 23, 2019, the Parent Company's stockholders approved the conversion of the advances from VI of ₱ 264.0 million to equity at ₱1.70 a share. The SEC approved the conversion on November 6, 2019. The excess resulting from the conversion amounting to ₱155.3 million was classified as APIC.

On March 8, 2019, the Parent Company's stockholders approved another conversion of advances from VI amounting to ₱209.0 million into equity at a conversion price of ₱6.50 a share. This was approved by the SEC on March 16, 2020 (see Note 12). The excess resulting from the issuance amounting to ₱186.5 million was classified as APIC.

On July 28, 2020, the Parent Company's BOD approved another set of conversion of advances from VI amounting to ₱89.0 million into equity at a conversion price of ₱2.18 a share. This was not yet approved by the Parent Company's stockholders and filed with the SEC as at April 13, 2021 (see Note 12).

On August 24, 2020, the Parent Company's BOD approved the subscription of VI of 102,000,000 common shares at ₱2.25 a share, equivalent to ₱229.5 million. The excess resulting from the issuance amounting to ₱158.1 million was classified as APIC.

Quasi-Reorganization
On March 8, 2019, the Parent Company's stockholders approved the reduction in the par value of the Parent Company's authorized common stock from ₱1.00 par value a share to ₱0.70 par value a share, setting aside an earlier plan to increase its authorized common stock to ₱3,000.0 million. The resulting APIC of ₱455.2 million was used to eliminate the Parent Company's accumulated deficit of ₱402.1 million as at December 31, 2018 and the excess of ₱53.1 million was retained in APIC. This was approved by the SEC on September 6, 2019 (see Note 1).

Increase in Authorized Capital Stock
On October 23, 2020, the Parent Company's BOD approved to increase the Parent Company's authorized capital stock from a total of ₱1,502.0 million (common stock and preferred stock) to ₱1,858.0 million. As at April 13, 2021, the Parent Company's stockholders has not yet approved the planned increase and has not yet filed the application with the SEC.

Preferred Stock
Movements in preferred stock are presented below:

	2020		2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized						
Balance at beginning and end of year	**60,000,000**	**₱60,000,000**	60,000,000	₱60,000,000	60,000,000	₱60,000,000

Issued and outstanding						
Balance at beginning of year	**–**	**₱–**	–	₱–	–	₱–
Issuance	**60,000,000**	**60,000,000**	–	–	–	–
Balance at end of year	**60,000,000**	**₱60,000,000**	–	₱–	–	₱–

On November 8, 2016, the Parent Company's stockholders approved the amendment in the AOI to reclassify 60,000,000 unissued common shares to redeemable, convertible, cumulative, non-participating and non-voting Peso-denominated preferred shares, with or without detachable warrants at ₱1.00 a share. This was approved by the SEC on January 10, 2017.

On May 21, 2018, the BOD approved and ratified the designation of the 5,000,000 redeemable, convertible, cumulative, non-participating and non-voting Peso-denominated preferred shares as the Preferred "A" shares. On the same date, the BOD approved the offering of the Preferred "A" shares, with an oversubscription option of additional 5,000,000 Preferred "A" shares, with 25,000,000 underlying common shares and an additional 25,000,000 common shares upon the exercise of the oversubscription option, which common shares shall be issued upon conversion of the Preferred "A" shares, with detachable warrants. This was approved by the Parent Company's stockholders on June 1, 2018.

On June 22, 2018, the SEC issued the Certificate of Filing of Enabling Resolution which approved the designation and offering of the Preferred "A" shares.

On August 24, 2020, the Parent Company's stockholders approved the subscription of VI to 60,000,000 redeemable, convertible, cumulative, non-participating and non-voting Peso-denominated preferred shares at a subscription price of ₱1.00 a share. No APIC was recognized on the issuance. The preferred shares issued to VI may be converted to common shares at 1:1 ratio at any time from the first anniversary after the issue date of the preferred shares until the 5th anniversary after the issue date. The preferred shares also have one (1) free detachable warrant for every preferred share which are exercisable after the 2nd anniversary common shares at a conversion price of ₱2.25 per common share.

APIC

Movements in APIC are presented below:

	Note	**2020**	2019	2018
Balance at beginning of year		**₱208,372,079**	₱–	₱–
Additional issuance		**158,100,000**	–	–
Debt to equity conversion		**186,492,308**	155,294,117	–
Issuance costs	6	**(11,395,277)**	–	–
Effect of decrease in par value		**–**	53,077,962	–
Balance at end of year		**₱541,569,110**	₱208,372,079	₱–

Below is the track record of issuance of the Parent Company's securities:

		Number of shares		
Date of Approval	Nature	Authorized	Issued/Subscribed	Issue/Offer Price
July 30, 2003	Common stock	40,000,000	28,000,000	₱1.00
November 11, 2008	Common stock	1,320,000,000	1,289,278,350	₱1.00
December 17, 2015	Common stock	2,120,000,000	200,000,000	₱1.00
November 6, 2019	Common stock	2,060,000,000	155,294,118	₱0.70
March 16, 2020	Common stock	2,060,000,000	32,153,846	₱0.70
August 24, 2020	Common stock	2,060,000,000	102,000,000	₱0.70
August 24, 2020	Preferred stock	60,000,000	60,000,000	₱1.00

12. Related Party Transactions

The transactions and balances of the Group with its related parties are as follows:

	Nature of Transaction	Transactions during the Year 2020	Transactions during the Year 2019	Outstanding Balances 2020	Outstanding Balances 2019
Trade and other receivables					
Stockholders	Management fees	**₱262,800**	₱366,000	**₱2,548,800**	₱2,286,000
Entities under common control	Infrastructure build-up services	**80,000,000**	90,000,000	**234,575,645**	125,834,695
	Management fees	**9,000,000**	13,914,000	**157,337**	46,191,116
				₱237,281,782	₱174,311,811
Due from related parties					
Stockholders	Advances	**₱980,802**	₱1,199,934	**₱89,888,019**	₱89,894,159
	Interest	**7,094,489**	7,092,270	**15,165,348**	8,073,072
Entities under common control	Advances	**32,412,953**	49,676,313	**61,947,188**	239,010,641
				₱167,000,555	₱336,977,872
Accounts payable and other current liabilities					
Stockholders	Interest	**₱–**	₱–	**₱59,903,586**	₱59,903,586
Entities under common control	Outside services	**2,995,164**	5,607,586	**6,737,474**	7,297,329
	Advances	**1,353,830**	1,734,822	**7,289,068**	5,935,238
				₱73,930,128	₱73,136,153
Due to related parties					
Stockholders	Advances	**₱189,128,325**	₱89,875,200	**₱186,354,243**	₱85,751,153
	Leases	**–**	–	**2,896,778**	2,902,918
Entities under common control	Advances	**–**	–	**339,606**	878,207
	Services	**–**	–	**605,212**	605,212
	Leases	**390,000**	–	**6,504,066**	6,499,227
				₱196,699,905	₱96,636,717

<u>Trade and Other Receivables</u>

a. *Infrastructure Build-up Services.* The Parent Company has various service agreements with NOW TEL, NOW Cable and NewsNet wherein the Parent Company will provide infrastructure build-up and technology design services, including project management, design, planning, and installation of major network hubs for a contract price of ₱5.0 million per network hub in order to facilitate the Parent Company's provision of VAS to the public.

   Service revenue recognized related to infrastructure build-up totaled ₱80.0 million and ₱90.0 million in 2020 and 2019, respectively (₱25.0 million in 2018).

b. *Technical Services.* Part of the service agreements discussed above is to provide technical consultancy services for a period of ten (10) years with a monthly fee of ₱50,000 each for NOW Cable and NewsNet. The parties mutually agreed to defer this arrangement since no technical services related to the project was provided to NOW Cable and NewsNet in 2020 and 2019 (and 2018).

c. *Management Services.* The Parent Company entered into a contract with the Asian Institute of Journalism and Communication (AIJC) to provide management services beginning January 1, 2018 to December 31, 2020 for a monthly fee. Service revenue amounted to ₱1.2 million and ₱0.2 million in 2020 and 2019, respectively (₱0.2 million in 2018).

   The Parent Company also entered into a contract with NOW TEL to provide day-to-day management services beginning January 1, 2016 to January 1, 2022. Service revenue from this contract amounted to ₱7.8 million in 2020 and 2019 (₱7.8 million in 2018).

The Parent Company also charges VI management fees for performing accounting and administrative functions of VI. Management fees charged to VI amounted to ₱0.2 million and ₱0.4 million in 2020 and 2019, respectively (₱0.2 million in 2018).

In 2019, the Parent Company entered into an agreement with NOW TEL for the assistance provided for the registration and application of permits needed for NOW TEL's site and communication equipment for ₱6.0 million.

In 2018, the Parent Company entered into a contract with NOW Cable for the assistance to renew NOW Cable's Provisional Authority to Operate, and with NOW TEL for the assistance to renew NOW TEL's congressional franchise and to participate in the selection of a new major player (NMP) in the public telecommunications market, as spearheaded by the NTC. Service revenue recognized from these contracts aggregated ₱37.0 million in 2018.

Due from Related Parties

a. In 2018, the Parent Company entered into a deed of sale with Joyce Link to sell certain advances to and receivables from other related parties to Joyce Link in exchange for a one-year promissory note amounting to ₱88.7 million with interest of 8% per annum. The promissory note is convertible to common stock at the option of the holder. No gain or loss was recognized on the transaction.

   Interest income earned amounting to ₱7.1 million in 2020 and 2019 (₱1.0 million in 2018) from the promissory note was recognized as part of the advances to Joyce Link (see Note 4).
b. The Group has advances to Softweb amounting to ₱5.0 million which pertains to a deposit for stock subscription. This amount was already fully provided with allowance for impairment loss as at December 31, 2020 and 2019 (and 2018) (see Note 7).

Accounts Payable and Other Current Liabilities

a. *VAS and Other Service Agreements.* The VAS and other service agreements allow NOW TEL, NOW cable and NewsNet to charge the Parent Company for: (a) the actual usage of bandwidth under a cost-plus-margin arrangement, (b) the network services provided through a revenue-sharing arrangement, and (c) network connectivity fee for the Parent Company's use of the site and communication equipment of NOW Cable and NewsNet in its operations.

   In 2020, the Parent Company also entered into another agreement with NOW TEL for NOW TEL to provide the Parent Company with network resources and subscriber development and management services for a fee of ₱1.0 million per month. Fees paid amounted to ₱12.0 million in 2020.

   Total cost related to VAS and other service agreements presented under the "Cost of sales and services" account are as follows (see Note 16):

	2020	2019	2018
Bandwidth costs	**₱31,638,411**	₱22,822,290	₱8,097,294
Network connectivity fees	**19,607,500**	19,607,500	7,567,000
Cost of VAS and other service agreements	**6,222,053**	6,024,474	3,547,662
	₱57,467,964	₱48,454,264	₱19,211,956

b. On January 3, 2017, the Parent Company renewed its service agreement with Knowledge Professionals Service Cooperative (KPSC) for a period of five (5) years beginning January 13, 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.

   Outside services incurred by the Parent Company for the services previously provided by KPSC amounted to ₱2.9 million and ₱2.8 million in 2020 and 2019, respectively (₱5.4 million in 2018) (see Notes 16 and 17).

c. I-Resource entered into a service agreement with KPSC covering consultancy and manpower services depending on the services specifically required by I-Resource. I-Resource and KPSC renewed the service agreement several times, with the last renewal from March 1, 2018 to February 28, 2020. The contract was terminated on March 1, 2020.

   Outside services amounted to ₱0.1 million and ₱2.8 million in 2020 and 2019, respectively, (₱21.3 million in 2018) (see Note 16 and 17).

Due to Related Parties

a. The Parent Company has interest-bearing advances due to VI for working capital and investment requirements. In 2015, VI waived the interest accruing on the remaining balance and subsequent advances to be received from VI.

   In 2016, the Parent Company's stockholders approved the conversion into equity of the advances from VI amounting to ₱264.0 million. This was approved by the SEC on November 6, 2019 (see Note 11).

   In 2019, the Parent Company's stockholders approved the additional conversion of the advances from VI amounting to ₱209.0 million into equity. The conversion was approved by the Parent Company's stockholders on March 8, 2019 and by the SEC on March 16, 2020 (see Note 11).

   In 2020, the Parent Company's BOD approved another set of conversion of advances from VI amounting to ₱89.0 million into equity at a conversion price of ₱2.18 a share. This was not yet approved by the Parent Company's stockholders and filed with the SEC as at December 31, 2020 (see Note 11).

   Outstanding accrued interest amounting to ₱59.9 million in 2020 and 2019 were recorded as part of "Accounts payable and other current liabilities" account in the consolidated statements of financial position (see Note 9).

b. The Group has other advances from related parties under common control for working capital purposes.

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and are collectible/payable either on demand or settled in cash on a 30 to 60 days term, except for due from and to related parties which do not have definite repayment terms. There were no guarantees provided or received for any related party receivables.

No ECL was recognized on trade and other receivables and due from related parties in 2020 and 2019 (2018).

Compensation of Key Management Personnel

Compensation of key management personnel presented as part of "Salaries and employee benefits" under "Operating expenses" account in the consolidated statements of income consists of short-term employee benefits amounting to ₱10.2 million and ₱14.1 million in 2020 and 2019, respectively, (₱ 10.3 million in 2018).

There are no post-employment benefits, share-based payment, termination benefits and other long-term benefits provided to the key management personnel of the Group.

On July 3, 2020, the Parent Company's BOD approved the planned stock grant to the eligible members of the key management personnel based on the number of years of service. This was not yet approved by the Parent Company's stockholders as of report date.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions

All individual material related party transactions (MRPT) and those involving directors and/or officers shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the MRPT. In case that a majority of the independent directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate related party transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

<u>Compliance with Revenue Regulations (RR) No. 19-2020</u>
In July 2020, the Bureau of Internal Revenue (BIR) issued RR No. 19-2020, which prescribes the use of the new BIR Form 1709, *Information Return on Related Party Transactions*, and the required documentary attachments which includes, but is not limited to, a transfer pricing documentation.

Subsequently, the BIR issued RR No. 34-2020 which prescribes the guidelines and procedures for the submission of the BIR Form 1709, transfer pricing documentation and other required documentations. Under RR No. 34-2020, the following are required to file and submit the BIR Form 1709:

a. Large taxpayers
b. Taxpayers enjoying tax incentives (e.g., BOI, PEZA, ITH, preferential tax rate)
c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
d. A related party, which has transactions with the above.

The Group has transactions with a related party who qualifies with the above guidelines, hence, the Group is covered by the requirements and procedures provided by RR No. 34-2020.

13. Retirement Liability

The Group has an unfunded, non-contributory defined benefit plan covering substantially all of its qualified employees. The latest available actuarial report of the Group is as at December 31, 2020.

Retirement expense presented as part of "Salaries and employee benefits" under "Operating expenses" account in the consolidated statements of income is as follows:

	2020	2019	2018
Current service cost	**₱925,746**	₱520,319	₱459,808
Interest cost	**115,890**	72,088	–
	₱1,041,636	₱592,407	₱459,808

Movements in the retirement liability are as follows:

	2020	2019
Balance at beginning of year	**₱1,568,097**	₱975,690
Current service cost	**925,746**	520,319
Interest cost	**115,890**	72,088
Remeasurement loss	**1,253,152**	–
Balance at end of year	**₱3,862,885**	₱1,568,097

The cumulative remeasurement losses recognized in OCI amounted to ₱1.8 million and ₱0.5 million as at December 31, 2020 and 2019, respectively.

The assumptions used in determining retirement expense are discount rate of 3.3% to 3.9% and salary increase rate of 3.0% to 5.0% for the years ended December 31, 2020 and 2019.
The sensitivity analysis based on reasonably possible changes in the assumptions as at December 31, 2020 is as follows:

	Change in Assumption	Effects on retirement

		Liability
Discount rate	+1%	(₱295,661)
	-1%	350,478
Salary increase rate	+1%	₱342,723
	-1%	(301,228)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

The table below shows the maturity analysis of the undiscounted benefit payments:

Less than five years	₱4,723,957
More than 5 years but less than 20 years	8,985,329
More than 20 years	12,195,608

The average duration of the defined benefit liability is from17 to 19 years as at December 31, 2020.

14. Lease Commitments

Long-term Leases

The Group leases office spaces and roof decks from various entities with terms ranging from two to five years. These are renewable upon mutual agreement of the parties and do not contain any purchase options.

Beginning January 1, 2019, the Group recognized ROU assets and lease liabilities for its lease agreements on office spaces and roof decks.

Movements in ROU assets as at December 31 are as follows:

	Note	**2020**	2019
Cost			
Balance at beginning of year		**₱7,693,337**	₱5,171,364
Additions		**4,750,754**	2,521,973
Expired portion		**(303,689)**	–
Balance at beginning of year		**12,140,402**	7,693,337
Accumulated Amortization			
Balance at beginning of year		**2,652,290**	–
Amortization	8	**2,464,369**	2,652,290
Expired portion		**(303,689)**	–
Balance at end of year		**4,812,970**	2,652,290
Carrying Amount		**₱7,327,432**	₱5,041,047

Movements in lease liabilities as at December 31 are as follows:

	Note	**2020**	2019
Balance at beginning of year		**₱6,052,935**	₱5,141,364
Additions		**4,750,754**	2,401,973
Rental payments		**(2,592,685)**	(1,889,844)
Interest	10	**353,951**	399,442
Balance at end of year		**8,564,955**	6,052,935
Current portion		**3,448,511**	4,153,740
Noncurrent portion		**₱5,116,444**	₱1,899,195

The incremental borrowing rate ranging from 3.05% to 7.94% was applied to the lease liabilities. ROU assets were measured at the amount of the lease liabilities, adjusted by the amount of prepaid and accrued rent at adoption date.

Prior to January 1, 2019, the Group recognized rent expense on the same lease agreements which were classified as operating leases. Rent expense amounted to ₱3.8 million in 2018. Accrued rent (recorded as part of "Accrued expenses - others" under the "Accounts payable and other current liabilities" account) amounting to ₱18,300 in 2018 represents straight-line adjustment on rent.

Short-term Leases
The Group leases parking spaces and certain office space and roof decks for a period of less than one year and is renewable at the option of the parties.

Rent expense arising from short-term leases amounted to ₱4.0 million and ₱3.3 million in 2020 and 2019, respectively (₱1.4 million in 2018). Security deposit amounted to ₱1.1 million and ₱0.9 million as at December 31, 2020 and 2019, respectively (see Note 6).

The amounts recognized in profit or loss are as follows:

	Note	**2020**	2019	2018
Rent expense:				
Cost of sales and services	16	**₱3,747,797**	₱3,066,114	₱3,773,577
Operating expenses	17	**240,780**	262,182	1,389,075
Amortization of ROU asset	8	**2,464,369**	2,652,290	–
Interest expense on lease liabilities	10	**353,951**	399,442	–
		₱6,806,897	₱6,380,028	₱5,162,652

Maturity analysis of undiscounted contractual lease payments from December 31 is as follows:

	2020	2019
On demand	**₱744,944**	₱582,944
Within one year	**3,031,641**	2,450,321
After one year but not more than five years	**5,085,299**	3,391,488
	₱8,861,884	₱6,424,753

15. Revenue

Disaggregation of the Group's revenue from contracts with customers is presented below:

		2020	
	Service fees	**Sale of goods**	**Total**
Management services	**₱89,240,000**	**₱–**	**₱89,240,000**
Broadband services	**83,307,934**	**–**	**83,307,934**
Sale and/or installation of software licenses	**–**	**11,064,865**	**11,064,865**
Manpower augmentation	**18,110,625**	**–**	**18,110,625**
	₱190,658,559	**₱11,064,865**	**₱201,723,424**

		2019	
	Service fees	Sale of goods	Total
Management services	₱104,280,000	₱–	₱104,280,000
Broadband services	81,671,208	–	81,671,208
Sale and/or installation of software licenses	–	4,038,959	4,038,959
Manpower augmentation	30,772,312	–	30,772,312
	₱216,723,520	₱4,038,959	₱220,762,479

Broadband services pertain to contracts with commercial and residential customers to provide broadband services based on a fixed monthly fee. Normal terms range from one (1) to two (2) years. These contracts are offered separately or bundled with sale and/or installation of software licenses.

Management services are fees charged for various services provided by the Parent Company to its related parties (see Note 12).

Manpower augmentation services are contracts between I-Resource and various customers to provide manpower specializing in IT. These contracts have a fixed monthly fee and have terms ranging from six (6) months to one (1) year.

For the three month ended March 31, 2021 Revenues from Broadboand services totaled to Php20,535,425, Management Fees and other services Php27,310,000, Software and Licences Php75,552 and IT Manpower Augmentation totaled to Php3,112,000. Total Revenue from Services amounted to Php51,032,977 and Php47,936,992 for the first quarter ended March 31, 2021 and 2020 respectively.

Contract Assets

Contract assets arise from the Group's sale of broadband service contracts bundled with software licenses wherein the Group has established its right to consideration in exchange for software licenses already delivered to the customers before payments are due.

Contract assets amounted to ₱1.4 million as at December 31, 2020 and 2019. No ECL was recognized on the contract assets in 2020 and 2019 (in 2018).

Contract assets are reclassified to trade receivables upon completion of the specific performance obligation.

16. Cost of Sales and Services

This account consists of:

	Note	**2020**	2019	2018
Cost of VAS and other service agreements	12	**₱57,467,964**	₱48,454,264	₱19,211,956
Salaries and employee benefits		**38,123,008**	53,463,472	42,149,832
Rent	14	**3,747,797**	3,066,114	3,773,577
Cost of software licenses		**3,451,069**	2,848,808	52,364,709
Installation costs		**2,947,512**	5,306,588	3,607,085
Outside services	12	**1,498,236**	4,247,209	24,388,167
Others		**1,867,719**	2,648,672	2,828,267
		₱109,103,305	₱120,035,127	₱148,323,593

Total cost of sales and services for the first quarter ended March 31, 2021 and 2020 amounted to Php28,172,176 and Php27,233,137 respectively.

17. Operating Expenses

	Note	**2020**	2019	2018
Salaries and employee benefits		**₱24,608,855**	₱29,457,560	₱12,454,239
Depreciation and amortization	8	**9,658,522**	11,181,531	7,309,611
Professional fees		**9,142,611**	5,854,120	1,776,658
Advertising and promotion		**6,367,009**	5,124,036	8,350,200

	Note			
Provision for impairment loss on trade and other receivables	5	**5,757,512**	476,262	724,729
Representation		**4,902,756**	7,571,792	5,822,950
Taxes and licenses		**4,171,703**	4,615,178	2,680,771
Transportation and travel		**3,287,610**	4,945,585	4,612,457
Communication		**2,591,950**	2,928,313	5,244,439
Security services		**1,837,396**	1,521,070	1,368,130
Outside services	12	**1,496,928**	1,360,377	2,306,929
Office supplies		**688,072**	1,519,347	1,359,932
Insurance		**345,662**	395,179	309,151
Repairs and maintenance		**294,695**	294,695	219,451
Rent	14	**240,780**	262,182	1,389,075
Utilities		**46,122**	801,024	259,686
Others		**2,010,052**	3,222,267	1,640,369
		₱77,448,235	₱81,530,518	₱57,828,777

The Group incurred operating expenses amounting to ₱20,550,378 and ₱14,988,576 for the three-month period ended March 31, 2021 and 2020, respectively.

18. Income Taxes

The Group's provision for current income tax consists of the following:

	2020	2019	2018
RCIT	**₱6,076,899**	₱4,324,070	₱1,594,744
MCIT	**–**	64,156	174,657
	₱6,076,899	₱4,388,226	₱1,769,401

The components of the Group's deferred tax assets are as follows:

	2020	2019	2018
Allowance for impairment loss on trade and other receivables	**₱12,016,348**	₱10,289,094	₱10,156,451
NOLCO	**482,524**	–	350,350
Retirement liability	**628,155**	315,665	137,942
Advanced collections received from customers	**151,393**	60,490	834,911
Excess of MCIT over RCIT	**84,287**	84,287	77,151
Effect of PFRS 16	**58,056**	146,966	–
Straight-line adjustment on rent	**–**	–	5,490
	₱13,420,763	₱10,896,502	₱11,562,295

The Group did not recognize deferred tax assets on these temporary differences because management has assessed that it is not probable that sufficient future taxable profit against which the deferred income tax assets can be utilized.

Deferred tax liability of ₱634 and ₱3,166 as at December 31, 2020 and 2019, respectively, pertains to unrealized foreign exchange gain of ₱2,114 and ₱10,552 as at December 31, 2020 and 2019, respectively.

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494 (Bayanihan to Recover as One Act), allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. As such, the NOLCO of

I-Professional for 2020 amounting to ₱1.6 million will be allowed as deduction from future taxable income until 2025.

Details of excess of MCIT over RCIT are as follows:

Year incurred	Balance at beginning of year	Incurred	Applied	Expired	Balance at end of year	Valid until
2019	₱26,573	₱–	₱–	₱–	₱26,573	2022
2018	57,714	–	–	–	57,714	2021
	₱84,287	₱–	₱–	₱–	₱84,287	

The reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income is as follows:

	2020	2019	2018
Provision for (benefit from) income tax computed at the statutory income tax rate	**₱3,225,418**	₱4,711,867	₱2,971,851
Change in unrecognized deferred tax assets	**2,524,261**	(478,411)	(1,380,785)
Tax effects of:			
Nondeductible expenses	**331,769**	180,217	188,086
Interest income already subjected to final tax	**(11,791)**	(16,438)	(175,638)
Nondeductible interest expense	**4,710**	6,562	241,502
Expired NOLCO and MCIT	**–**	(12,405)	(75,615)
	₱6,074,367	₱4,391,392	₱1,769,401

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE" Bill), which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

Under the CREATE Bill, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The bill requires the approval of the Congress and by the President of the Philippines to be enacted as a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and was not yet submitted to the President of the Philippines. Since the bill is not considered substantively enacted, the current and deferred taxes were measured using the applicable income tax rates as at December 31, 2020.

On February 3, 2021, the Senate and the Congress of the Philippines ratified the bill through a bicameral conference. On March 26, 2021, the CREATE Bill was approved into law by the President of the Philippines.

The estimated impact of the approval of the CREATE Bill into law on the Group's consolidated financial statements are as follows:

	Prior to approval of the CREATE Bill	**Impact of the CREATE Bill**	**Upon approval of the CREATE Bill**
ASSETS			
Other current assets	₱31,436,115	₱517,326	₱31,953,441
LIABILITIES AND EQUITY			

Deferred tax liabilities	₱634	(₱53)	₱581
Retained earnings (deficit)	(14,283,249)	517,379	(13,766,170)
Non-controlling interests	(3,197,995)	–	(3,197,995)
	(₱17,480,610)	₱517,326	(₱16,963,584)

	Prior to approval of the CREATE Bill	Impact of the CREATE Bill	Upon approval of the CREATE Bill
PROVISION FOR INCOME TAX			
Current	₱6,076,899	(₱517,326)	₱5,603,243
Deferred	(2,532)	(53)	(2,585)
	6,074,367	(517,379)	5,600,658
NET INCOME	₱4,677,025	₱517,379	₱5,194,404
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱5,078,029	₱517,379	₱5,595,408
Non-controlling interests	(401,004)	–	(401,004)
	₱4,677,025	₱517,379	₱5,194,404

19. Basic/Diluted EPS

Basic EPS attributable to the equity holders of the Parent Company were computed as follows:

	2020	2019	2018
Net income shown in the consolidated statements of income (a)	**₱5,078,029**	₱10,875,888	₱7,885,496
Weighted average number of common shares (b)	**1,710,150,246**	1,543,160,703	1,517,278,350
Effect of dilution from conversion options and warrants	**69,400,300**	–	–
Weighted average number of common shares adjusted for the effect of dilution (c)	**1,779,550,546**	1,543,160,703	1,517,278,350
Basic earnings per share (a/b)	**₱0.0030**	₱0.0070	₱0.0052
Diluted earnings per share (a/c)	**₱0.0029**	₱0.0070	₱0.0052

20. Financial Risk Management Objectives and Policies

General

The Group has risk management policies that systematically view the risks that could prevent the Group from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Group's objectives are achieved. The Group's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. It is also 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.

Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the established business objectives. The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Group.

The Group's principal financial instruments comprise of cash, trade and other receivables (excluding advances to officers and employees), contract assets, due from related parties, security deposits (included as part of "Other noncurrent assets"), investment in equity securities, accounts payable and other current liabilities (excluding statutory payables), due to related parties, loans payable, and lease liabilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks. These are summarized below.

Credit Risk

Credit risk is the risk that the obligations of the Group will not be repaid on time and in full as contracted, resulting in a financial loss. It is inherent to the business as potential losses may arise due to the failure of its customers and counter parties to fulfill their obligations on maturity dates or due to adverse market conditions. Exposure to credit risk arises primarily from its financing activities.

Generally, the credit risk of the Group is attributable to financial assets at amortized cost. The Group maintains credit policies and continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls.
Managing credit risk has both qualitative and quantitative aspects. Credit officers must evaluate the credit quality of the counterparties and assign internal credit ratings upon this evaluation.

The Group defines credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations based on original contractual terms. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. Credit risk from cash in banks is mitigated by transacting only with reputable banks duly approved by management.

The tables below summarize the analysis of the Group's financial assets as at December 31:

	2020				
	Neither Past Due nor Impaired		**Past due but not impaired**		
	High Grade	**Standard Grade**		**Impaired**	**Total**
Cash in banks	**₱17,142,162**	**₱–**	**₱–**	**₱–**	**₱17,142,162**
Trade and other receivables*	**–**	**302,006,987**	**–**	**40,088,612**	**342,095,599**
Contract assets	**1,370,685**	**–**	**–**	**–**	**1,370,685**
Due from related parties	**167,000,555**	**–**	**–**	**–**	**167,000,555**
Security deposits	**1,053,818**	**–**	**–**	**–**	**1,053,818**
	₱186,567,220	**₱302,006,987**	**₱–**	**₱40,088,612**	**₱528,662,819**

**Excluding advances to officers and employees amounting to ₱3.9 million.*

	2019				
	Neither Past Due nor Impaired		Past due but not impaired		
	High Grade	Standard Grade		Impaired	Total
Cash in banks	₱10,468,081	₱–	₱–	₱–	₱10,468,081

	2019				
	Neither Past Due nor Impaired		Past due but not impaired		
	High Grade	Standard Grade		Impaired	Total
Trade and other receivables*	–	226,039,336	–	34,331,100	260,370,436
Contract assets	1,413,165	–	–	–	1,413,165
Due from related parties	336,977,872	–	–	–	336,977,872
Security deposits	941,432	–	–	–	941,432
	₱349,800,550	₱226,039,336	₱–	₱34,331,100	₱610,170,986

**Excluding advances to officers and employees amounting to ₱1.0 million.*

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those whose collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable, including some accounts which would require some reminder follow-ups to obtain settlement from the counterparty.

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 objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group seeks to manage its liquid funds through cash planning on a weekly basis. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31 based on contractual undiscounted payments:

	2020				
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and other current liabilities*	**₱59,903,586**	**₱67,112,701**	**₱–**	**₱–**	**₱127,016,287**
Short-term and long-term loans**	**–**	**3,312,118**	**75,780,035**	**36,009,047**	**115,101,200**
Due to related parties	**196,699,905**	**–**	**–**	**–**	**196,699,905**
Lease liabilities	**744,944**	**757,910**	**2,273,731**	**5,085,299**	**8,861,884**
	₱ 257,348,435	**₱71,182,729**	**₱78,053,766**	**₱41,094,346**	**₱447,679,276**

**Excluding deferred output VAT and statutory payables aggregating ₱43.5 million.*
***Including future interest payments.*

	2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other current liabilities*	₱–	₱110,073,756	₱–	₱–	₱110,073,756
Short-term and long-term loans**	–	–	67,133,360	58,577,819	125,711,179
Due to related parties	96,636,717	–	–	–	96,636,717
Lease liabilities	582,944	720,006	1,730,315	3,391,488	6,424,753
	₱97,219,661	₱110,793,762	₱68,863,675	₱61,969,307	₱338,846,405

**Excluding deferred output VAT and statutory payables aggregating ₱35.6 million.*
***Including future interest payments.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

21. Fair Value of Financial Instruments

Comparison of the carrying amounts and fair values of the Group's financial instruments are as follows:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**₱17,270,381**	**₱17,270,381**	₱11,312,632	₱11,312,632
Trade and other receivables*	**301,966,987**	**301,966,987**	226,079,336	226,079,336
Contract assets	**1,370,685**	**1,370,685**	1,413,165	1,413,165
Due from related parties	**167,000,555**	**167,000,555**	336,977,872	336,977,872
Investment in equity securities	**1,581,369,376**	**1,581,369,376**	1,537,716,362	1,537,716,362
Security deposits	**1,053,818**	**1,053,818**	941,432	941,432
	₱2,070,031,802	**₱2,070,031,802**	₱2,114,440,799	₱2,114,440,799

**Excluding advances to officers and employees amounting to ₱3.9 million and ₱1.0 million as at December 31, 2020 and 2019, respectively.*

	Carrying Amount 2020	**Fair Value 2020**	Carrying Amount 2019	Fair Value 2019
Financial Liabilities				
Accounts payable and other current liabilities*	**₱127,016,287**	**₱127,016,287**	₱110,073,756	₱110,073,756
Short-term loans	**62,000,000**	**62,000,000**	64,000,000	64,000,000
Long-term loans	**36,689,204**	**51,586,007**	47,916,273	53,501,512
Due to related parties	**196,699,905**	**196,699,905**	96,636,717	96,636,717
Lease liabilities	**8,564,955**	**8,501,155**	6,052,935	6,052,935
	₱430,970,351	**₱445,803,354**	₱324,679,681	₱330,264,920

**Excluding deferred output VAT and statutory payables aggregating ₱43.5 million and ₱35.6 million as at December 31, 2020 and 2019, respectively.*

Cash, Trade and Other Receivables (excluding advances to officers and employees), Contract Assets, Security Deposits and Accounts Payable and Other Current Liabilities (excluding deferred output VAT and statutory payables) and Short-term Loans. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these financial instruments.

Due from and to Related Parties. The carrying amount of due from and to related parties approximate its fair value because these are collectible or payable on demand.

Investment in Equity Securities. The fair value of unquoted equity security was determined using discounted cash flow method based on market observable rates. Discount rate used is 4.70% and 8.77% in 2020 and 2019, respectively (Level 3).

Long-term Loans. The fair values for the Group's long-term loans are estimated using the discounted cash flow method with the applicable rates ranging from 6.25%% to 10.79% in 2020 and 4.80% to 12.23% in 2019 (Level 2).

Lease Liabilities. The fair values of the Group's lease liabilities are measured at the present value of the remaining lease payments, discounted using rates ranging from 1.71% to 2.50% in 2020 and 3.05% to 7.94% in 2019 (Level 2).

There were no transfers between levels in the fair value hierarchy as at December 31, 2020 and 2019.

22. Capital Management

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, based on the 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. The Group is not subject to externally-imposed capital requirements.

The Group considers the equity attributable to the equity holders of the Parent Company as presented in the consolidated statements of financial position as its core capital. As at December 31, 2020 and 2019 (and 2018), the Group was able to meet its capital management objectives. No changes were made in the objectives, policies or processes in 2020 and 2019 (and 2018).

23. Operating Segments

Business Segments

For management purposes, the Group is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The industry segments where the Group operates are as follows:

a) Broadband Services - provides high-speed broadband service of up to 1000 Mbps.

b) Software Licenses and Services - provides software license products and installation services.

c) IT Manpower and Resource Augmentation - provides deployment of IT professionals.

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.

24. Other Legal Matters Equity restructuring

No other significant event during the period covered by this report.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2021
(Amounts are based on the Separate Financial Statements of the Parent Company)

	Amount
Unappropriated retained earnings, beginning of year	₱15,530,569
Net income during the year closed to retained earnings	2,005,088
Total unappropriated retained earnings available for dividend declaration at end of year	₱17,535,657
Reconciliation:	
Unappropriated retained earnings as shown in the financial statements at end of year	₱17,535,657
Total unappropriated retained earnings available for dividend declaration at end of year	₱17,535,657

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

- Total consolidated revenues in the first three quarters of 2021 is Php51,033 Million, increased by 6.46% or Php3.096 Million from last year's first quarter revenue of Php47.937 Million. Service revenue increased by 18.68% or Php 8.020 Million from last year figure of Php 42.937 Million to Php 50.957 Million in the first quarter of 2021. Service revenues mainly pertain to broadband services and income earned from the deployment by the Company of professionals to its clients to render IT-related solutions and services. Broadband and other services increased to Php47.845 million. As impacted by the enhanced community quarantine, the revenues of the other business segments of the company which are the IT Manpower and Resource Augmentation and Software Licenses deeply dropped to Php3.112 million and Php0.076 million respectively.

- Cost and Expenses for the first quarter of 2021 is Php48.723 Million, which is a Php6.501 Million or 15.40% increase from last year's Cost and Expenses of Php42.222 Million. This was brought about by an increase in Cost of Sales and Services of Php 0.939 Million or 3.45% from Php 27.233 Million in 2020 to Php 28.172 Million in 2021, whereas, Operating expenses also increased by Php5.562 Million or 37.11%. Significant increase in Expenses are Salaries and wages (Php9.831 million), professional fees (Php2.150 million), taxes and licenses (Php1.584 million) and communication and subscriptions (Php1.239 million).
- As of March 31, 2021, the total consolidated assets of the Company stood at Php2.748 Billion compared with last year's Php2.204 Billion or an increase of Php543.877 Million or 24.67%. Current Assets decreased by Php107.776 Million or 16.56% from Php650.864Million in 2020 to Php543.088 Million in 2021. This was due to the decrease in Due from related parties by Php180.359Million from last year's Php369.330 Million to this year's Php188.971 Million. While, Trade and other receivables increased by 40.42% or by Php88.484 million.

Non-current assets also increased by 41.94% to Php2.205 Billion from last year's Php 1.554 Billion.

- Current liabilities increased by Php137.423Million or 40.72% from Php337.487Million in the first quarter of 2020 to Php474.910 Million in 2021. This was caused by the increase of due to related parties by Php118.618Million or 119.89%, from the first quarter of 2020 to Php217.553Million in 2021.

- On December 22, 2016, the Company availed of 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.

  The Parent Company availed of an unsecured, short-term loans aggregating ₱50.0 million with Land Bank. The loans carry annual interest rates ranging from 6.50% to 9.75% in 2020 and 4.80% to 7.35% in 2019 (4.80% to 6.74% in 2018) and have maturity dates ranging between three (3) months and six (6) months. The loan was fully paid on January 15, 2021. On February 10, 2021, the Parent Company secured another set of short-term loans totaling ₱50.0 million with Land Bank.

- In October 2018, the Company obtained a term loan of Php50 Million with 8% fixed interest rate from a local universal bank for use in acquisition of capital assets. The loan requires monthly repayments of principal and interest until October 2023.

- As of March 31, 2021, the total Assets stood at Php2.748 Billion, Liabilities at Php608.028 Million and Equity at Php2.140 Billion.

- Current assets decreased by 16.56%, whereas Current Liabilities increased by 40.72%, resulting to a decrease of the Company's Liquidity Ratio wherein Current Ratio stood at 1.1436:1 and 1.9286:1, while Acid Test Ratio stood at 1.0656 and 1.7759 as of March 31, 2021 and 2020, respectively.

- The Company's Return on Equity for the period March 31, 2021 and 2020 was at 0.05% and 0.11% .

- A further analysis indicates that NOW Corp.'s Asset to Debt Ratio stood at 4.5202x and 5.6584; while its Debt to Asset Ratio stood at 0.2212 and 0.1767x, as of March 31, 2021 and 2020, respectively.

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.

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.

NOW CORPORATION
Issuer

BY:

(Sgd.) **MR. MEL V. VELARDE**
President and CEO
Date: 17 May 2021

DIANA M. LUNA
Treasurer and CFO
Date: 17 May 2021

ANGELINE L. MACASAET
Corporate Secretary
Date: 17 May 2021

ANNEX “A”

Schedule of Financial Indicators
For the Quarter Ending 31 March 2021 and 2020

Category	Financial Ratio	YTD January to March	
		2020	2019
Liquidity	Current Ratio	1.1436	1.9286
	Acid Test Ratio	1.0656	1.7759
Solvency	Debt to Equity Ratio	0.2841	0.2147
	Asset to Debt Ratio	4.5202	5.6584
	Debt to Asset Ratio	0.2212	0.1767
Equity	Asset to Equity Ratio	1.2841	1.2147
Interest	Interest Rate Coverage Ratio	1.8636	2.1327
Profitability	Profit Margin	44.80%	47.16%
	Return on Assets	0.04%	0.08%
	Return on Equity	0.05%	0.11%
	Book Value per share	1.1847	1.1835
	Earnings per share	0.0006	0.0011

The Financial Indicators are computed as follows:

Liquidity: Current Ratio = Current Assets/Current Liabilities
Acid Test= (Current Assets- Inventory- Prepayments) / Current Liabilities

Solvency: Debt to Equity Ratio = Total Liabilities/Total Stockholders'
Equity Asset to Debt Ratio= Total Assets / Total Liabilities
Debt to Asset Ratio = Total Liabilities/Total Assets

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/Average Total Assets x
100 Return on Equity % = Net Income/Average Total Stockholders' Equity x
100 Book Value per share = Total Stockholders' Equity/Average Outstanding
Shares Earnings per share = Net Income/ Outstanding Shares