

# COVER SHEET

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**COMPANY NAME**

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

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**Form Type**

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**Department requiring the report**

M	S
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**Secondary License Type, If Applicable**

N	/	A
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### COMPANY INFORMATION

**Company's Email Address**

info@now-corp.com

**Company's Telephone Number**

(632) 7750-0461 /  
(632)7 750-0211 /  
(632) 7750-0224

**Mobile Number**

N/A

**No. of Stockholders**

70

**Annual Meeting (Month / Day)**

June 2

**Fiscal Year (Month / Day)**

12/31

### CONTACT PERSON INFORMATION

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

**Name of Contact Person**

Angeline L. Macasaet

**Email Address**

angeline.macasaet@now-corp.com

**Telephone Number/s**

7750-0211

**Mobile Number**

096684389521

### CONTACT PERSON'S ADDRESS

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

NOTE1 : 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.

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended 31 December 2021
2. SEC Identification Number A199600179 3. BIR Tax Identification No. 004-668-224
4. Exact name of issuer as specified in its charter NOWCORPORATION
5. METROMANILA, PHILIPPINES . (SEC Use Only)  
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code
7. Unit 5-I, 5<sup>th</sup> Floor, OPL Building, 100 C. Palanca Street, Legaspi Village, Makati City, Philippines  
Address of principal office Postal Code 1229
8. +6327750-0211  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 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 these securities listed on a Stock Exchange.

Yes [ / ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

PhilippineStockExchange

CommonStock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that 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

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the

date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]      No [ / ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Description of Business

(1) Business Development.

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

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

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

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

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

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

On September 19, 2006, the Securities and Exchange Commission (SEC) approved the increase in the authorized capital stock of Cashrounds to Php1.320 billion with corresponding increase of its paid-up

capital to Php1,317,278,350 as well as the change of the corporate name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board of Directors and Stockholders of the Company approved the name change from Information Capital Technology Ventures, Inc. to Now Corporation on 02 July 2013 and 06 June 2013, respectively. On 16 August 2013, the SEC issued the Certificate of Filing of Amended Articles of Incorporation and the Certificate of Revision of the Title of Amended By-Laws certifying the said name change.

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

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

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

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

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

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

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

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

On 10 January 2017, the Securities and Exchange Commission issued to the Company a Certificate of Filing of Amended Articles of Incorporation (Amending Article VII reclassification of P60,000,000.00 Common Shares to Preferred Shares thereof).

At the 20 January 2017 Special Meeting of the Board, a resolution was passed approving the issuance of detachable warrants in connection with the public offering of the Company's preferred shares;

At the 07 August 2017 Regular Meeting of the Board of Directors, the following resolutions were approved: 1) Acceptance of disengagement of SB Capital Investment Corporation ("SB Capital") as one of the Joint Issue Managers, Joint Bookrunners and Joint Lead Underwriters. 2) Appointment of SB Capital as the Company's Financial Advisor; 3) Grant of authority to the Chairman and President and CEO to negotiate and engage the services of an Issue Manager, Bookrunner, Lead Underwriter for its proposed public offer of preferred shares; 4) Reduction of the Company's proposed public offering of its preferred shares from 15M preferred shares with 30M warrants to 5M preferred shares with 30M warrants thus resulting in the reduction of the offer size from Php 1.5B to Php 500M.

In its 20 December 2017 Regular Meeting, the Board approved, in relation to its conduct of Public Offering by way of a Follow-On Offering ("FOO") of its Preferred Shares of stocks, the offer and sale of up to 10,000,000 out of the 60,000,000 redeemable, convertible, non-participating and non-voting preferred share with detachable warrants out of the unissued portion of the authorized capital stock of the Corporation (the "Offer Shares") and up to 20,000,000 Detachable Subscription Warrants to be issued free of charge with 20,000,000 underlying common shares (collectively, the "Warrant").

On 22 December 2017, NOW Corporation filed its Registration Statement and Prospectus with the Securities and Exchange Commission ("SEC") pursuant to the Company's application for the Follow-On Offering of 5,000,000 redeemable, convertible, cumulative, non-participating, non-voting, Peso-denominated, preferred shares with an Oversubscription Option of [5,000,000] with a par value of one peso (₱1.00) per share, with 10,000,000 detachable subscription warrants to be issued free of charge with 10,000,000 underlying common shares, with an Oversubscription Option of 10,000,000 Warrants and 10,000,000 underlying common shares of NOW Corporation.

In its 15 March 2018 Regular Meeting, the Board resolved to delegate to the Executive Committee the setting of the final conversion price related to the conversion into equity of the Php264,000,000.00 advances from a shareholder. Said conversion into equity was previously approved in 2017 by both the Board and the Stockholders, respectively, and was likewise promptly disclosed to the Philippine Stock Exchange.

The shareholders present by a unanimous vote likewise affirmed / confirmed their approval, made at the 02 June 2016 Annual Stockholders' Meeting, of the increase in authorized capital stock of the Company as well as the conversion into equity of the Php264M advances from a shareholder, Velarde, Inc., at the conv<sup>66</sup>ersion

price computed based on the daily average of the Volume-Weighted Average Price of NOW Corporation shares for a 30 day trading period ending 14 April 2016 as well as the listing of corresponding shares that will be issued out of the said conversion. The conversion price shall be set between Php1.50 per share to Php1.70 per share range. The Board of Directors is given the delegated authority to finalize the terms and other details pertaining to such increase and conversion price within the respective ranges herein set forth.

On 22 June 2018, the Securities and Exchange Commission issued the Certificate of Filing of Enabling Resolution in relation to the Company's offer of 5,000,000 Redeemable Convertible Cumulative Non-Participating Non-Voting Peso-denominated Preferred Shares and designate the series as the Preferred "A" Shares with an Oversubscription Option of 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 Shares, with Detachable Warrants, under the terms and conditions thereof.

On 27 June 2018, the Philippine Stock exchange approved the application of the Company to list an additional 200,000,000 common shares to cover its debt-to-equity conversion transaction with its shareholder.

At the Special Meeting of the Board of Directors of NOW Corporation held on 11 October 2018, the Board approved the conversion into equity by its shareholder Velarde, Inc. in the amount of Two Hundred Nine Million Pesos (Php209,000,000.00) with the conversion price computed based on the Volume Weighted Average Price (VWAP) of the 30-day trading period ending 11 October 2018.

At the special meeting of the Board of Directors of NOW Corporation held on 28 December 2018, the Board approved the Company's equity restructuring plan by reducing the par value of the common shares of stock of the Company and by applying the resulting additional paid-in capital to eliminate its accumulated deficit. For this purpose, the Board approved the amendment of Article Seventh of NOW's Articles of Incorporation to reduce the par value of common shares from One Peso (Php1.00) per share to Seventy Centavos (Php0.70) per share, and the resulting decrease of NOW's authorized capital stock from Php2,120,000,000.00 divided into 2,060,000,000 common shares with par value of One Peso (Php1.00) each to Php1,442,000,000 divided into 2,060,000,000 common shares with par value of Seventy Centavos (Php0.70) each.

At the Special Stockholders' Meeting of NOW Corporation held on 08 March 2019, the stockholders unanimously approved the Company's equity restructuring plan by reducing the par value of the common shares of stock of the Company and by applying the resulting additional paid-in capital to eliminate its accumulated deficit. For this purpose, the stockholders unanimously approved the amendment of Article Seventh of NOW's Articles of Incorporation to reduce the par value of common shares from One Peso (Php1.00) per share to Seventy Centavos (Php0.70) per share, and the resulting decrease of NOW's authorized capital stock from Php2,120,000,000.00 divided into 2,060,000,000 common shares with par value of One Peso (Php1.00) each to Php1,442,000,000 divided into 2,060,000,000 common shares with par value of Seventy Centavos (Php0.70) each.

Likewise, the stockholders unanimously approved the conversion of advances into equity of its shareholder Velarde, Inc. in the amount of Two Hundred Nine Million Pesos (Php209,000,000.00) with the conversion price computed based on the Volume Weighted Average Price (VWAP) of the 30-day trading period ending 11 October 2018 or at Php6.50 per share, and the listing of additional shares resulting from the said conversion. The waiver by a majority vote representing the outstanding shares held by the minority shareholders present of the conduct of a Rights or Public Offering of the Shares to be subscribed to by Velarde, Inc. was likewise affirmed/confirmed. In the same meeting, the stockholders also approved the revision of the earlier approval made during the Annual Stockholders' Meeting held on 07 June 2018 to increase the authorized capital stock of the Company within a range between Php600M and Php700M in connection with the earlier conversion of another tranche of advances made by Velarde, Inc. to NOW Corporation in the amount of Php264 Million. Only the conversion into equity of Velarde, Inc.'s advances in the amount of Php264M based on the adjusted conversion price range between Php1.50 and Php1.70 per share as well as the listing of additional shares resulting from the said conversion are approved and affirmed for implementation. The contemplated increase in authorized capital stock is deemed set aside.

On September 6, 2019 The Securities and Exchange Commission approved the Company's application for equity restructuring and the decrease in its authorized capital and par value per share, wiping out the deficit as of 31 December 2018 in the amount of Php402,105,543.00 against the reduction surplus of Php455,183,505.00.

With the amendment of Article Seventh of NOW's Articles of Incorporation, the resulting authorized capital stock of the Company is One Billion Five Hundred Two Million Pesos (Php1,502,000,000.00), Philippine Currency, and said capital stock is divided into Two Billion Sixty Million (2,060,000,000) common shares, with a par value of Seventy Centavos (Php0.70) each and Sixty Million (60,000,000) Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares with or without Detachable Warrants with a par value of One Peso (Php1.00) per share.

The equity restructuring did not reduce the number of issued, outstanding and listed shares and will not change a stockholder's interest in the Company. Furthermore, the Php1.00 par value per share of the existing preferred shares will not change.

On 06 November 2019, the Securities and Exchange Commission issued a Certificate of Approval of Valuation confirming the valuation of shareholder Velarde, Inc.'s advances in the amount of Php264M as payment for the additional issuance of 155,294,118 common shares worth Php108,705,882.60 (with par value of Php 0.70 per share) out of the unissued portion of the present authorized capital stock of NOW Corporation, based on the conversion price of Php1.70 per share as approved by at least majority of the stockholders and Board of Directors at their respective meetings held on 08 March 2019.

At the Special Meeting held on 24 August 2020, the Board of Directors of NOW Corporation approved, confirmed, and ratified the offer of an existing shareholder, Velarde, Inc., to subscribe to a) 102,000,000 common shares of NOW, equivalent to a 5.75% equity stake in NOW post subscription, at Php2.25/share or a total aggregate amount of Php229,500,000.00; and b) 60,000,000 Redeemable Convertible Cumulative Non-Participating Non-Voting Peso-denominated Preferred Shares of NOW, with 1 free Detachable Warrant for every preferred share subscribed to (1:1 ratio), exercisable after the 2<sup>nd</sup> year anniversary from issue date, at a subscription price of Php1.00 per Convertible Preferred Share. The Detachable Warrants are exercisable after the 2<sup>nd</sup> year anniversary from issue date at a price of Php2.25 per common share. The Preferred Shares may be converted to common shares of the Company at a conversion price of Php2.25 per share, which may be exercised at any time from the 1<sup>st</sup> year anniversary from the issue date of the Preferred Shares until the 5<sup>th</sup> year anniversary from the issue date of the Preferred Shares. The Board likewise unanimously approved the other indicative terms and conditions of the transaction presented during the said meeting.

On August 28, 2020, the company received from the Securities and Exchange Commission the Certificate of Approval of Valuation dated 16 March 2020 confirming the valuation of shareholder Velarde, Inc.'s advances in the amount of Php209M as payment for the additional issuance of 32,153,846 common shares worth Php22,507,692 (with par value of Php 0.70 per share) out of the unissued portion of the present authorized capital stock of NOW Corporation, based on the conversion price of Php6.50 per share as approved by the board of directors on October 11, 2018 and of the stockholders on March 8, 2019.

## (2) Business of the Company

Pursuant to its new primary purpose, the Company has recently shifted its operations into Telecommunications, Media and Technology (TMT). Its new primary purpose is primarily engaged in the business of providing telecommunications, media and information technology products and services under its three key operating business segments, namely: (i) Software Licenses and Services; (ii) IT Manpower and Resource Augmentation; and (iii) Broadband and Wireless Cable TV Services. The Company's diverse products and services portfolio include software application development and maintenance, collaboration software solutions, web integration, web and mobile applications development, technical and maintenance services, IT manpower and resource augmentation, project implementation and management, managed services outsourcing, and fixed wireless broadband services, among others. The Company also offers value-added services through partnerships with companies licensed to provide wired and wireless, fixed and mobile communications and cable TV services.

Among the programs that the Company is currently offering would be TMT services such as broadband networks worldwide, cloud hosting service, virtual private networks, multimedia content, online gaming, web hosting, cloud-based multimedia conference, cloud-based mail and messaging service, electronic communications network and services.

In 2016, the Company expanded its service offerings with the introduction of its "Fiber-in-the-Air" fixed wireless broadband service with a CIR of up to 700 Mbps, a first of its kind in the Philippines. Through its



partnership with NOW Telecom and Newsnet, a wireless telecommunications operator and a cable TV service provider, respectively, the Company offers an affordable, alternative and high-speed broadband service of up to 700 Mbps and wireless cable TV services to the underserved and unserved large enterprises such as schools, hospitals, hotels, high-end residential buildings, and commercial buildings with multiple BPO locators. Currently, the Company's client broadband subscription ranges from 5 Mbps to 100 mbps, which may be further increased to up to 700 Mbps, depending on the clients' bandwidth requirements. The Company positions its fixed wireless broadband service either as primary, alternative or as an auxiliary link to existing broadband service providers. In 2018, the Company has since then upgraded its equipment increasing its capacity to 400% of from initial 700Mbps to new equipment upgrade able to service up to 2.4Gbps. This upgrade was done as preparation for the huge demand of that will come from future and existing customers. More than to meet the demand of their customers though, the company also aims to help facilitate the creation of smart cities.

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

In 2018, The Company, along with its affiliate NOW Telecom launched the "Network ng Mamamayang Pilipino," (NOW NMP) aimed at democratizing the Philippine Telecommunications business by providing internet connectivity solutions across the Philippines through exclusive-distributorship agreements with business partner. NOW prides itself to be a pro-Filipino company with a vision of empowering Filipino enterprises operate businesses that will shape the country's digital landscape.

In November 2021, the Company signed an exclusive agreement with Wallpost, a U.S. based global tech firm in order to provide businesses cloud-based enterprise resource planning solution (ERP). Wallpost works with global telco operators like Ooredoo in Qatar and Tunisia, and Indosat in Indonesia in order to provide SMEs the digital transformation tools. The solution is seen in eliminating the need for business owners to manually manage their data and operations and enable them to focus more on their business goals. The Company has named the service: "NOW EazyBiz". Modules would include Human Resource, Customer Resource Management, Sales, Finance & Accounting, Asset Management & Tracking, and other customizable modules.

#### BusinessPartners

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

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

#### Brands

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

#### Productsand Services

##### A. Software Licenses and Services

#### · HCL Collaboration Solutions

In partnership with HCL, the Company provides HCL collaborations solutions such as provision of software and IT-enabled services aimed at developing business solutions and applications to ease business operations and boost productivity of business enterprises. The Company has been categorized as a premier business partner of IBM as an affirmation of its superior skills and market success. The Company resells essential HCL tools and products that are designed to enable new capabilities that improve business processes and help engage clients and employees in new ways. These HCL tools and products include software for instant messaging that facilitates integrated team collaboration accessible by the client's employees across all applications and devices; file sharing and enterprise electronic mails which the client can integrate in its business application allowing enterprises to have easy use real-time connections and communication within their office space.; and IBM Ustream video platform which can be utilized by enterprises to distribute content via video.

Aside from these, the Company also resells at a competitive price HCL smartcloud services which include tools for social business in the cloud. The Company also offers a wide array of IT software services including: (i) software application development, maintenance and support; (ii) data analytics; (iii) e-forms; and (iv) portal, all aimed to enhance the client's overall experience. These services simplify business operations through integrating digital technologies and functionality into a system.

The Company's services also include technical services namely: migration, network administrator services, technical support and other services related to the maintenance of HCL products.

#### · Cloud Hosting Services

Cloud hosting services cover the virtualization of the IT infrastructure to mitigate the rapid pace of technology obsolescence. These services are available to individual, small medium enterprises and corporate users in two primary space categories: (i) dedicated; and (ii) shared.

In a dedicated space arrangement, clients are allocated dedicated hardware for their exclusive use. Shared set-up are for clients with processing requirements that are not fixed, and which are clustered into a shared hosting server with pre-defined performance commitments.

#### · Virtual Private Networks

VPN is an end-to-end protection and encryption services on network connectivity that ensures secured data transport. The Company's VPN service provides anonymity on the client's connection to the internet by using thousands of IP addresses and various server connections worldwide. VPN services passes internet filters allowing secure internet access. It also routes all data transport traffic with new IP address through affiliated secured servers located in various locations. This provides tracking difficulty and ensures a slim probability that data transmission will be compromised.

#### · Cloud-based Multimedia Conferencing Services

Cloud-based multimedia conferencing services consist of cloud-based server and applications capable of hosting multimedia conferencing application that will visually connect people in different physical locations in the virtual space. This service is ideal for conducting classes, presentations, events, meetings, and lectures for participants from multiple locations. This service provides a cost-effective participation of more individuals from multiple locations.

#### · Web Hosting, Cloud-based Mail and Messaging Services

Web hosting services vary from personal to corporate with e-commerce application development, content management, database and search engine optimization support. Cloud-based mail services carry a variety of mail services ranging from electronic mail, facsimile mail, voice mail and video mail. Cloud-based mail services also include storage, calendar, contact and task management, and virus protection. These are available to individual, small medium enterprises and corporate clients.

#### · Digital Media Production

The Company also offers services such as website development, mobile application development, and animation that can be used by business enterprises to create, manage and sustain their marketing and communications through digital channels that are simple, functional and effective across multiple market segments. These services allow business enterprises to increase their engagement with potential customers and to create an online presence in order to capture a wider base market. One of the Company's notable projects is the "It's More Fun in the Philippines" website and mobile application that supported the campaign of the Department of Tourism. The Company offers its web development through WebsiteExpress.Biz. The Company has established the brand WebsiteExpress.Biz as its vehicle in delivering quality and globally compliant websites catering to micro and medium-sized enterprises. WebsiteExpress.Biz is a one-stop website development service operator that provides development, domain, hosting, secure sockets layer certificates, shopping cart, electronic mail, among others, without engaging multiple service providers. It operates at a subscription model, providing micro and medium-sized enterprises and individual subscribers quality, affordable and efficient websites in a span of five (5) days. One of the key features of

WebsiteExpress.Biz is its responsive web design which allows a website to be responsive in all mobile devices without developing a dedicated mobile application for each kind of device.

Under its mobile application development, the Company offers customized mobile applications such as cinematic three-dimensional, game-based learning, rich media, html5 animation and gestures to allow businesses to enhance customer experience and increase brand loyalty. Through its competencies in digital media production, the Company can cater to the requirements and specifications of each client in order to deliver quality mobile applications for their businesses.

## B. IT Manpower and Resource Augmentation

The Company, through its subsidiaries i-Resource and i-Professional, is engaged in the business of providing consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.

i-Resource is an information technology resource management company that provides IT knowledge professionals to its clients. i-Resource principally deploys IT knowledge professionals to assist its clients in managing the IT operations of their businesses ranging from short to long-term and mission-critical projects, including data center management, network infrastructure maintenance and software management. This is done through i-Resource's dedicated sourcing group and business development managers.

The services of i-Resource can be further categorized into three sub-business segments, namely:

### · IT Staff Augmentation

Under this sub-segment, i-Resource provides IT knowledge professionals for the IT-related needs of its clients. Skilled personnel are deployed to provide additional IT knowledge professionals to the client's current roster or to provide additional support to the client's existing project team, for a limited period. Specifically, i-Resource offers the following services:

- a) Resource Management Outsourcing – Resource management outsourcing pertains to the provision of IT knowledge professionals by i-Resource to a client for a specific duration ranging from three (3) months to one (1) year, some of which are renewable thereafter. The IT knowledge professionals deployed remain to be employees of i-Resource during the period of engagement.
- b) Assignment of Staff – Assignment of staff pertains to the deployment of resource personnel by i-Resource for a client in order to augment client manpower requirements.
- c) Project Team Outsourcing – Project team outsourcing ensures enterprises of available project teams that will be assigned to their project without the need to hire them directly. The assigned personnel may include project managers, developers, business analytics and quality assurance testers.

### · Managed Services

Aside from providing IT knowledge professionals, the Company, through i-Resource also services its clients by allowing them to outsource certain business process to i-Resource. This managed services also include trainings of IT candidates and team development for its clients. In addition, this sub-segment covers:

- a) Managed Service Outsourcing - Clients may outsource a portion of their business processes such as testing & quality assurance services, applications development, applications maintenance, disaster recovery, desktop services, technology help desk services, call center help desk services and network services (broadband internet) to i-Resource, in order for them to focus on their core business activities. i-Resource services regular or critical projects based on targeted outcomes and service level agreements.
- b) Train and Deploy - i-Resource develops the skills of fresh graduates based on client requirements through boot camps. This is carried out in collaboration with iCollege, which is a center for continuing education established by the Company in partnership with the Asian Institute for Journalism and Communication, a knowledge management center organized in 1980 as a graduate school for journalism.
- c) Offsite Team Development – i-Resource develops a dedicated team of IT knowledge professionals specifically for the client requirement, which are housed outside the client's office.

### · Search and Select

i-Professional serves as the recruitment arm of its clients by providing the following add-on services:

a) Contract to Hire – This allows enterprises to try and test IT knowledge professionals before actually hiring by outsourcing them for a probationary period of six (6) months. The IT knowledge professionals become employees of the client at the end of the probationary period should they qualify with the standards of the client. The Company charges a one-time absorption fee.

b) Recruitment Process Outsourcing – This provides an end to end recruitment process for companies with huge IT knowledge professional requirements. It also allows enterprises to outsource the recruitment process of IT knowledge professionals for regular placements.

### C. Broadband and Wireless Cable TV Services

The Company offers high-speed broadband service of up to 2.4Gbps guaranteed broadband service to the underserved and unserved large enterprises such as schools, hospitals, high-end residential buildings, business process outsource locators, and commercial buildings.

The Company was the first to market the Fiber-in-the-Air fixed wireless broadband service of up to 2.4Gbps in the Philippines, which allows the Company's subscribers to download, upload, stream and share files simultaneously without compromising performance.

NOW has since then become the largest fixed wireless access broadband internet service provider in the Philippines. The Company deploys high-speed broadband bandwidth resources with high availability through its Point-to-Point and Point-to-Multipoint Radios. The Point-to-Point and Point-to-Multipoint connectivity work through radio antennas that are installed atop strategically selected high-rise buildings and establishments around metropolis. The building's rooftop where the radio antennas are installed must have a line of sight basis from the Company's nearest hub. This allows the user to send data over much greater distances while maintaining speed and has the advantage of connecting users even in remote areas without the need for cables.

To further enhance its clients' experience, the Company maintains a team of engineers and technical support available on a 24/7 basis to keep its subscribers connected.

The Company gets backhaul from transit providers at internet exchange points and from there delivers signals wirelessly to antennas on building rooftops. Inside the buildings, internet access is provided through standard copper wire or fiber if necessary.

From building to building, the Company provides high-speed broadband internet to different clients on a line of sight basis. Line of sight basis is a straight path between a transmitting antenna and a receiving antenna when unobstructed. This will be done by installing devices on top of the hubs and on top of the consumer's building, thereby enabling the Company to transmit broadband internet.

The Company's network operates by connecting the target buildings through two transceivers on the roof: (i) one transceiver which serves the building; and (ii) another transceiver to serve the next building in the network.

In 2021, the Company has also expanded its serviceable area coverage in south of Metro Manila namely Laguna, Cavite, and Batangas. It has also expanded in the north in Caloocan and Marikina in the east.

### D. Business Partnership Program

In 2018, The Company, along with its affiliate NOW Telecom launched the "Network ng Mamamayang Pilipino," (NOW NMP) aimed at democratizing the Philippine Telecommunications business by providing broadband internet connectivity solutions across the Philippines through exclusive-distributorship agreements with local business partners. NOW prides itself to be a pro-Filipino company with a vision of empowering Filipino enterprises operate businesses that will shape the country's digital landscape.

In 2018, the company, along with its affiliate Now Telecom launched the " Network ng Mamamayang Pilipino," (NOW NMP) aimed at democratizing the Philippine Telecommunications business by providing broadband internet connectivity solutions across the Philippines through distributorship agreements with local business partners. Now prides itself to be a pro-Filipino company with a vision of empowering Filipino enterprises operate business that will shape the country's digital landscape.

The company is partnering with local entrepreneurs and local government units to bring NOW's technology to a particular area whether for horizontal deployment such as for barangays and wide area network, or for vertical deployment such as for office buildings.

## Competition

With the continuous growth of the IT industry, both locally and globally, the competitive landscape has become fierce with the rise of new and innovative technology services in the market. The Company's products and services have indirect and direct competitors in the following areas:

1. Broadband providers;
2. HCL Lotus Notes resellers and developers;
3. Microsoft Office 365 resellers and developers;
4. Web and mobile app development companies; and
5. Software integrators and software engineering service providers.

As the Company continues to improve and enhance its product and services, its competitive advantage lies in its ability to adopt and utilize new and emerging technologies to deliver a full spectrum of innovative products and services to the market. Setting the Company apart is the provision of its value added services backed by its strong and competent professionals through the synergy and collaboration across the different functional departments of the organization.

## Suppliers

The Company and its subsidiaries and affiliates have a broad range of suppliers, both local and foreign.

## Customers

The Company provides technology solutions to various organizations. It has a wide scope of target customers not dependent on a single or few customer base. The following are target industries for the Company's products and services:

1. Commercial Banking
2. Microfinancing and rural banking
3. Financial services
4. Manufacturing
5. Transportation
6. Media and Advertising Companies
7. Government Sector
8. Small and Medium Enterprises (SME)
9. Retail
10. Hospitality/Tourism
11. Healthcare
12. Insurance
13. Business Process Outsourcing and Knowledge Process Outsourcing

## Transactions With and/or Dependence on Related Parties

All transactions with related companies are done on market terms and arm's length basis. See Note for Related Party Transaction of the Notes to the Consolidated Financial Statements.

## Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements

The Philippine Intellectual Property Office ("IPO") issued on June 28, 2012 and July 5, 2012 a Certificate of Registration for the trademarks J-Span and NowPlanet.TV, respectively. The IPO also issued on 28 February 2013 a Certificate of Registration for the trademark Social Canvass. These registrations shall be effective for 10 years.

As of December 31, 2013, the Company has four (4) other trademark applications pending with the Philippine Intellectual Property Office (IPO). On March 10, 2006, a Certificate of Registration as a Value Added Service (VAS) Provider as Voice over Internet Protocol (VOIP) Provider was issued by the National Telecommunications Commission (NTC). This Certificate has been renewed in March 9, 2021 with validity of one year. In addition, NTC issued on November 27, 2015 (valid until November 26, 2020) a Certificate of Registration in favor of the

Company as a Value Added Service entity authorized to offer cloud hosting services, VPN, multimedia content and program services, online game services, cloud-based multimedia conferencing services, web hosting and cloud-based mail and messaging services. The said Certificate of Registration has been renewed in November 27, 2020 and has been renewed for five years (valid until November 26, 2025).

#### Research and Development Activities

The Company did not allocate an amount for research and development activities in years 2021, 2020 and 2019.

#### Governmental Regulations and Environmental Laws

The Company is not aware of any existing or probable governmental regulations that will have a material effect on the business.

The Company and its subsidiaries have not experienced any environmental issues or problems.

#### Employees

The Company has a total workforce of seventy-seven (70) employees. The following shows the breakdown of the manpower complement of the Company according to business function:

Executive	5
Managerial	8
Administrative	18
Operation	<u>39</u>
Total	<u>70</u>

#### Major Risks

1. Competition. New and existing competitors can erode the Company and its subsidiaries' competitive advantage through the introduction of new products and services, improvement of product quality, increase in production efficiency, new and updated technologies and costs reductions. To manage all these, the Company and its subsidiaries continuously come up with new and exciting products and improve product propositions.
2. Third Party Services. The Company's social media services have a dependence on 3rd parties such as developers and internet providers. Maintaining and sustaining a satisfactory relationship with third party service providers is critical in ensuring technical support for the Company's social media services. Failure to do so may negatively impact the Company's business since we rely on them for content upgrades, localization and technical support. To mitigate this risk, the Company is constantly in search for the right partners.<sup>3</sup> Internet. The Company's social media services are dependent on the quality and accessibility of the Internet. The over-all user experience may be adversely affected by a poor internet connection. The growth of this sector in the Philippines may be limited as internet access has not reached more far-flung areas in the country.

#### Item 2. Properties

On December 22, 2016, the Company availed of a chattel mortgage loan amounting to Php564,800 (Note 10) from BDO Unibank, Inc. for the purchase of a transportation equipment, which serves as the property mortgaged. The new loan requires sixty monthly repayments of Php11,754 until November 23, 2021, has a term of 5 years and bears an interest rate of 9.44% per annum. The transportation equipment is for the use of sales and technical personnel and developers.

In 2021, the Parent company availed of chattel mortgage loans aggregating ₱7,103,200 from RCBC for purchases of vehicles, which serves as the properties mortgaged. The loans have a term of five (5) years and bears interest rates ranging from 9.43% to 10.35% per annum. The transportation equipment is for the use of employees and executives. .

In 2021, the lease of NOW Corporation's office located at Unit 5-I, 5<sup>th</sup> Floor, OPL Building, 100 C. Palanca Street, Legaspi Village, Makati City was renewed for another year from April 1, 2021 to March 31, 2022.

### Item 3. Legal Proceedings

The Company is not a party to any civil or criminal litigation or proceeding pending or threatened against or relating to the Company in any of the courts in the Philippines or abroad.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

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

On July 23, 2002, the Board of Directors and stockholders approved the offer of up to 28,000,000 shares from the Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Company was approved by the PSE and the Securities and Exchange Commission (SEC), on June 11 and July 30, 2003, respectively. The Company was listed in the PSE on July 23, 2003. Issue manager and underwriter was Abacus Capital & Investment Company. The following table is the summary of the Company's stock prices from first quarter of 2018 up to the 1<sup>st</sup> quarter of 2022:

Year	Quarter	High	Low
2018	1 <sup>st</sup>	8.200	7.560
	2 <sup>nd</sup>	12.160	6.850
	3 <sup>rd</sup>	9.970	7.000
	4 <sup>th</sup>	8.150	1.850
2019	1 <sup>st</sup>	4.300	2.440
	2 <sup>nd</sup>	2.830	1.960
	3 <sup>rd</sup>	4.780	2.060
	4 <sup>th</sup>	3.700	2.300
2020	1 <sup>st</sup>	2.680	1.000
	2 <sup>nd</sup>	2.500	1.410
	3 <sup>rd</sup>	4.300	1.850
	4 <sup>th</sup>	6.390	3.300
2021	1 <sup>st</sup>	4.550	2.450
	2 <sup>nd</sup>	3.260	2.141.
	3 <sup>rd</sup>	3.15	77
	4 <sup>th</sup>	1.97	1.22
2022	1 <sup>st</sup>	1.59	1.04

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

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

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

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

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

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

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

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

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

The movement in the number of shares and capital stock amount for the year ended December 31, 2021, 2020 and 2019 are as follows :

#### Common Stock

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized - ₱0.70 par value in 2020 and 2019 and ₱1.00 par value in 2018</b>						
Balance at beginning 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
Effect of decrease in par value	-	-	-	-	-	(618,000,000)
<b>Balance at end of year</b>	<b>2,060,000,000</b>	<b>₱1,442,000,000</b>	<b>2,060,000,000</b>	<b>₱1,442,000,000</b>	<b>2,060,000,000</b>	<b>₱1,442,000,000</b>
<b>Issued and outstanding</b>						
Balance at beginning 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
Additional issuance	-	-	102,000,000	71,400,000	-	-
Debt to equity conversion	-	-	32,153,846	22,507,692	155,294,118	106,705,883
Effect of decrease in par value	-	-	-	-	-	(455,183,505)



Balance at end of year	1,806,726,314	₱1,264,708,420	1,806,726,314	₱1,264,708,420	1,672,572,468	₱1,170,800,728
<b>Preferred Stock</b>	<b>2021</b>		<b>2020</b>		<b>2019</b>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
<b>Authorized</b>						
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
<b>Issued and outstanding</b>						
Balance at beginning of year	60,000,000	₱60,000,000	–	₱–	–	₱–
Issuance			60,000,000	60,000,000	–	–
Balance at end of year	60,000,000	₱60,000,000	60,000,000	₱60,000,000	–	₱–

No party or person holds any voting trust over any of the Company's shares. There are approximately 70 Holders of Common Stock as of 31 March 2022. The Top Twenty (20) Holders of Common Stock as of 31 March 2022 are as follows:

RANK	NAME	Nationality	TOTAL SHARES	PERCENTAGE (%)
1	PCD NOMINEE CORPORATION - FILIPINO	Filipino	902,477,166	49.9510
2	VELARDE, INC	Filipino	290,019,514	16.0522
3	TOP MEGA ENTERPRISES, LIMITED	Chinese	241,046,855	13.3416
4	PCD NOMINEE CORPORATION -	NON-FILIPINO	147,182,135	8.1463
5	EMERALD INVESTMENTS, INC.	Filipino	95,739,360	5.2991
6	JOYCE LINK HOLDINGS, LIMITED	BVI	78,408,552	4.3398
7	GAMBOA HOLDINGS, INC.	Filipino	29,991,254	1.6600
8	FOODCAMP INDUSTRIES AND MARKETING, INC.	Filipino	21,360,199	1.1823
9	CHUA CO KIONG, WILLIAM N.	Filipino	145,000	0.0080
10	CUAN, ROWELL D.	Filipino	26,000	0.0014
11	DE LEON, JOSE MARI S.	Filipino	10,000	0.0006
12	ESPINOSA, JOSEPH	Filipino	10,000	0.0006
13	DIATA, JUDITHA G.	Filipino	10,000	0.0006
14	TARENO, MARIA GUIA I.	Filipino	10,000	0.0006
15	SERANIA, VIRGINIA P.	Filipino	10,000	0.0006
16	FRANCISCO, RICHARD L.	Filipino	10,000	0.0006
17	BOCABIL, ALBEN B.	Filipino	10,000	0.0006
18	DE LA CUESTA, KARLO S.	Filipino	10,000	0.0006
19	LIGUTAN, ENINIAS P.	Filipino	10,000	0.0006
20	PAGUDAR, VENUS B.	Filipino	10,000	0.0006

#### Dividends

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

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2021

(Amounts are based on the Separate Unaudited Financial Statements of the Parent Company)

	Amount
Unappropriated retained earnings (deficit), beginning of year	₱15,530,569
Net income during the year closed to retained earnings	8,787,436
Total unappropriated retained earnings available for dividend declaration at end of year	₱24,318,005

### 1. Reconciliation:

Unappropriated retained earnings as shown in the financial statements at end of year	₱24,318,005
Total unappropriated retained earnings available for dividend declaration at end of year	₱24,318,005

### Recent Sale of Unregistered Securities

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

### Item 6. Management's Discussion and Analysis or Plan of Operation

#### Plans and Prospects for 2022

##### Expansion of Fiber Air Business

The Company continues to expand its Fiber Air broadband connectivity coverage to enterprises, residential, and commercial buildings. The Company has identified hyper-growth areas especially in the sub-urban areas such as Laguna, Cavite, and Batangas in the South, and Caloocan, Valenzuela, Bulacan, and Pampanga to the North. These target areas are part of the new territories that NOW would want to expand its service.

##### Expansion of its Software Collaboration Business

The Company continues to seek partnerships with global technology firms so it can provide world-class cloud-based services to the enterprise segment. As such, the Company shall pursue partnering with firms offering enterprise solutions such as CRM, finance and accounting software, artificial intelligence software, and other value-added services targeting the enterprises.

##### Beef-up Operations

The Company continues to beef-up its operational capacity in order to expand the delivery of its broadband connectivity services to other areas. In addition, the Company aims to expand its internal capacity to market, to sell, and deliver cloud-based services, technical services, and IT Manpower. The Company continues to train its employees in order to be updated with the latest trends, technologies, and techniques in order to carry out the services demanded by the clients. The Company has also implemented an upgrade of its network by implementing cybersecurity measures and protocols.

##### Forged partnerships with global technology providers

The Company continues to leverage on its partnership with global media, technology and information technology companies. The Company is seriously considering to offer ICT solutions and services especially in the areas of smart cities, digital transformation consulting services, artificial intelligence, data analytics, and cybersecurity.

#### Plans and Prospects for 2021

##### Expansion of Fiber Air Business

The Company continues to expand its Fiber Air broadband connectivity coverage to enterprises, residential and commercial buildings. The Company's service has been made available in new areas such as Alabang & Laguna in the south, Marikina & Antipolo in the east, and Caloocan & Navotas in the north. The Company continues to also provide its broadband connectivity service to new industries such as manufacturing, business process outsourcing, and eco-zones.

#### Expansion of the Business Partnership Program

The Company continues to intensify its business partnership program tagged as Network ng Mamayang Pilipino. The Program has since then expanded its subscribers through its business partners. In addition, the Company has forged a partnership with a major Industrial Park located in Laguna as part of its business partnership program. For its part, the Company has then penetrated huge industries holding offices in the said industrial park.

#### Expansion of Existing Software Licenses and Services and IT Manpower

The Company continues to actively sell software solutions, technical services and IT Manpower. The Company has forged deeper ties with global technology providers such as HCL and Microsoft Philippines in order for the Company to resell software collaboration tools and bundle technical services to the enterprise market. The Company, through its subsidiary i-Resource Consulting and iProfessional, continues to provide an extensive base of IT Knowledge Professionals in key sectors such as manufacturing, IT, telecom, and BPO sector.

#### Beef-up Operations

The Company continues to beef-up its operational capacity in order to deliver broadband services, software licenses and technical services, and IT manpower. The Company continues to train its employees in order to be updated with the latest trends, technologies, and techniques in order to carry out the services demanded by the clients. The Company has also implemented an upgrade of its network by implementing cybersecurity measures and protocols.

#### Forged partnerships with global technology providers

The Company continues to leverage on its partnership with global media, technology and information technology companies. The Company is seriously considering to offer ICT solutions and services especially in the areas of smart cities, digital transformation consulting services, artificial intelligence, data analytics, and cybersecurity.

#### Plans and Prospects for 2020

##### Expansion of Fiber Air for Business

The Company continues to expand its Fiber in the Air business as it continues to penetrate enterprises, commercial and residential buildings. The Company continues to also utilize new technologies in order to provide more capacity to its current and prospective customers. The Company has cemented its position as the largest fixed wireless access provider in the country providing guaranteed broadband internet to enterprises, commercial buildings, and residential buildings. The Company's portfolio of clients include industries such as hospitality, banking, government agencies, media, education, e-sports, and business process outsourcing companies.

##### Expansion to New Geographical Areas

The Company continues to expand its Fiber in the Air business to new geographical areas in order to penetrate enterprises, commercial and residential buildings. The geographic areas are considered priority areas due to the growth of broadband internet requirement.

##### Expansion of the Business Partnership Program

Through the Business Partnership Program tagged as Network ng Mamayang Pilipino (NOW NMP) program, NOW Corporation's affiliate NOW Telecom will leverage on business partnership opportunities with local government and entrepreneurs to provide better internet connection to the country by democratizing telecommunications.

##### Expansion to Special Economic Clusters

The Company shall expand its Fiber in the Air service to special economic clusters such ecozones, industrial parks, and other economic clusters perfect for broadband connectivity service to be provided by the Company.

##### Expansion of Existing Software Licenses and Services and IT Manpower

The Company continues to aggressive sell software solutions, technical services and IT Manpower. The Company aims to maintain its position as the number one social collaborations solutions provider of IBM. In addition, it continues to

market and to sell Microsoft software products and licenses. This allows the firm to broaden its customer base in the industry and increase the Company's recurring revenues.

#### Preferred Shares Offering

With the quasi-reorganization approved by the Securities and Exchange Commission on September 6, 2019, NOW aims to continue the public issuance of up to 10 Million Preferred Shares as part of its Follow-On Offering, a continuing effort since 2017.

#### Plans and Prospects for 2019

##### Expansion of Fiber Air for Business

The Company continues to expand its Fiber in the Air business as it continues to penetrate enterprises, commercial and residential buildings. The Company continues to also utilize new technologies in order to provide more capacity to its current and prospective customers.

##### Expansion of the Business Partnership Program

Through the Business Partnership Program tagged as Network ng Mamamayang Pilipino (NOW NMP) program, NOW Corporation's affiliate NOW Telecom will leverage on business partnership opportunities with local government and entrepreneurs to provide better internet connection to the country by democratizing telecommunications.

##### Expansion of Existing Software Licenses and Services and IT Manpower

The Company continues to aggressive sell software solutions, technical services and IT Manpower. The Company aims to maintain its position as the number one social collaborations solutions provider of IBM. In addition, it continues to market and to sell Microsoft software products and licenses. This allows the firm to broaden its customerbase in the industry and increase the Company's recurring revenues.

#### Quasi-Reorganization

At the special meeting of the Board of Directors of NOW Corporation held on 28 December 2018, the Board approved the Company's equity restructuring plan by reducing the par value of the common shares of stock of the Company and by applying the resulting additional paid-in capital to eliminate its accumulated deficit.

For this purpose, the Board approved the amendment of Article Seventh of NOW's Articles of Incorporation to reduce the par value of common shares from One Peso (Php1.00) per share to Seventy Centavos (Php0.70) per share, and the resulting decrease of NOW's authorized capital stock from Php2,120,000,000.00 divided into 2,060,000,000 common shares with par value of One Peso (Php1.00) each to Php1,442,000,000 divided into 2,060,000,000 common shares with par value of Seventy Centavos (Php0.70) each.

With the quasi-reorganization plan, NOW aims to continue the public issuance of up to 10 Million Preferred Shares as part of its Follow-On Offering, a continuing effort since 2017.

#### Plans and Prospects for 2018

##### Partnership with Global Technology, Media and Information Technology Companies

The Company aims to maintain its position as the number one social solutions business partner of IBM to further strengthen the Company's brand. The Company believes that new collaborations will further improve the Company's technical competencies and enhance its reputation as a trustworthy and dependable provider of diversified IT-related products and services. The Company also believes that this will broaden the Company's customer base in the IT industry and ultimately, increase the Company's recurring revenues.

##### High-Speed Broadband Internet Connection

The Company intends to start the build-up of its fiber optic underground network. Fiber optic cable is expected to be equipped to have a minimum capacity of 100 Gbps. It is also expected to serve as the backbone of the Company's broadband business to complement its existing Fiber-in-the-Air technology. With Fiber-in-the-Air, the Company can provide up to 700 Mbps CIR per client enterprise, which can be further increased by installing another radio antenna with the same capacity. On the other hand, with fiber optic underground, the Company can provide up to 1 Gbps per connection. With these two technologies combined, the Company believes that it can provide better broadband services to the growing market for fast and reliable internet connection

## Broadband Services to Medium and Large Enterprises

The Company intends to offer its broadband service to medium and large enterprises and residential subscribers by 2018. The Company is undertaking research and development activities with its suppliers in order to deliver a more cost-effective and higher throughput of bandwidth for this market segment. The Company believes that this will broaden the Company's customer base and ultimately, increase the Company's recurring revenues from its Broadband Service business.

## Key Performance Indicators

Financial Soundness Indicators		December 31	
		2021	2020
Liquidity	Current Ratio	1.90	1.17
	Acid Test Ratio	1.78	1.10
Solvency	Debt to Equity Ratio	0.31	0.27
	Asset to Debt Ratio	4.26	4.67
	Debt to Asset Ratio	0.23	0.21
Equity	Asset to Equity Ratio	1.31	1.27
Interest	Interest Rate Coverage Ratio	2.07	1.94
Profitability	Profit Margin	40.96%	45.91%
	Return on Assets	0.28%	0.17%
	Return on Equity	0.37%	0.22%
	Book Value per share	1.19	1.19
	Earnings per share	0.0044	0.0026

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 Debt to Asset Ratio = Total Liabilities/Total Assets Asset to Debt Ratio= Total Assets / Total Liabilities
Equity:	Asset to Equity Ratio = Total Assets/Total Stockholders' Equity
Interest:	Interest Rate Coverage Ratio = Earnings Before Interest and Taxes/Interest Expense
Profitability:	Profit Margin %: Profit margin = Gross Profit/Total Revenue x 100 Return on Assets %: Return on assets = Net Income/Total Assets x 100 Return on Equity % = Net Income/Total Stockholders' Equity x 100 Book Value per share = Total Stockholders' Equity/Average Outstanding Shares Earning per share = Net Income/Average Outstanding Shares

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

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.

#### Information on Independent Accountant

The auditing firm of Reyes Tacandong & Co is the incumbent external auditor of the Company for the calendar year 2021 and is being recommended for re-appointment at the scheduled annual meeting of the shareholders. Representatives of the said firm are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

There had been no disagreements by and between the Company and the current external auditor regarding accounting policies and financial disclosures of the Company.

#### Audit and Audit Fees

The aggregate fees billed for the current fiscal year ended 2021 for professional services rendered by the Reyes Tacandong & Co. for the audit of the Company annual financial statements is Php900,000.

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by Reyes Tacandong & Co. for the audit of the Company annual financial statements is Php700,000 for 2019 and Php900,000 for 2020.

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

### **Results of operations**

#### Year 2021

The consolidated revenue for the year 2021 amounted to Ph196.404million, there is a decrease of 3% from previous year's Php201.723million. The revenue from broadband services has increased to Php85.001million in 2021, higher by Php1.693million or 2% from Php83.308million in 2020. The COVID-19 pandemic has continued to hit the IT manpower and resource augmentation which revenues has decreased by Php5.275million or 29% from Php18.111million in 2020 to Php12.836 million in 2021. Sales of software licenses has also decreased by 16% or by Php1.737 million.

The net income after tax increased by 70% or by Php3.269million from last year's Php4.667million to Php7.946million in 2021. There is a decrease of gross profit of 13% from Php92.620million in 2020 to Php80.449million in 2021. Cost of sales and services during the year amounted to Php115.955 million, higher by 6% or Php6.851 million compared to the Php109.103 million cost of sales and services level posted for the year ended December 31, 2020. Due to cost cutting measure implemented during the year, the general and administrative expenses for the year 2021 has decreased to Php67.844million or 12% lower from last year's Php77.448million. This decrease in 2021 was mainly due to the decrease in professional fees and advertising and promotion by 17% and 54% respectively.

As of December 31, 2021, the total consolidated assets of the Company stood at Php2.824 billion compared with last year's Php2.720 billion, an increase by Php103.481 million or 4%. Current Assets increased by Php83.517 million or 16%, from Php522.896 million in 2020 to Php606.414 million in 2021. The increase in Current Assets was mainly due to the increase in Due to Related Parties from Php167.001million in 2020 to Php211.231 million in 2021. Trade and other Receivables increased by 10% from Php305.818 million in 2020 to Php337.025million in 2021. Non-current Assets stood at Php2.217million in 2021.

Current liabilities decreased by by Php127.738 million or 29%, from Php447.493 million in 2020 to Php319.755 million in 2021. This was brought by the decrease in the Due to Related party from Php196.700 million in 2020 to Php10.391 million in 2021. One Major factor also was the increased in current portion of loans payable due to the availment of Php50million short-term loan from Unionbank last quarter of 2021.

Noncurrent Liabilities increased from Php134.669million in 2020 to P343.371 million in 2021. The increase was due to the reclassification of Php221Million as Deposit for future stock subscription under non-current liabilities. On October 31, 2018, the Parent Company signed a five-year ₱50,000,000 loan agreement with PSBC maturing on October 31, 2023. The loan is secured by a real estate and carries an interest rate of 8% per annum. The company started the monthly payment of its principal in February 2021.

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

In 2021, the Parent company availed of chattel mortgage loans aggregating ₱7,103,200 from RCBC for purchases of vehicles, which serves as the properties mortgaged. The loans have a term of five (5) years and bears interest rates ranging from 9.43% to 10.35% per annum.

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 2021, the Parent Company secured another set of short-term loans totaling ₱50.0 million with Land Bank.

Total consolidated assets as of December 31, 2021 stood at Php2.824 billion, with Liabilities at Php663.126 million and Equity at Php2.161 billion.

Current assets increased by 16% and current liabilities decreased by 29% resulting to an increase of the Company's Liquidity Ratio wherein Current Ratio stood at 1.90:1 and 1.17:1, while Acid Test Ratio stood at 1.78 and 1.10 for the years 2021 and 2020 respectively.

The Company's Return on Equity for the year ended, 2021 and 2020 was at 0.37% and 0.22% respectively.

A further analysis indicates that NOW Corp.'s Asset to Equity Ratio stood at 1.31x and 1.27x; while its Debt to Equity Ratio stood at 0.31x and 0.27x for the year 2021 and 2020 respectively.

#### Year 2020

The consolidated revenue for the year 2020 amounted to Ph201.723 million, there is a decrease of 8.62% from previous year's Php220.762 million. While, the revenue from broadband services has increased to Php83.308 million in 2020, higher by Php1.637 million or 2.00% from Php81.671 million in 2019 and Revenue from Software Licenses and services amounted to Php11.065 million in 2020, with an increase of Php7.026 million from 2019 revenue of Php4.039 million. The COVID-19 pandemic impacted the revenue of IT manpower and resource augmentation which has decreased by Php12.662 million or 41.15% from Php30.772 million in 2019 to Php18.111million in 2020. Management Services has also dropped by 14.42% from 2019's revenue.

While there is a slight decrease of gross profit of 8.05% or by Php8.107 million from Php100.727 million in 2019 to Php92.620 million in 2020. The net income before tax dropped by Php4.954 million from Php15.706 million in 2019 to Php10.751 million in 2020. Cost of sales and services during the year amounted to Php109.103 million, lower by 9.11% or Php10.932 million compared to the Php120.035 million cost of sales and services level posted for the year ended December 31, 2019. While there is a decrease in cost of services during the year from previous year's Php118.122 million to Php106.493 million in 2020. Costs relating to software licenses increased from Php1.913million in 2019 to Php2.610 million in 2020. The General and administrative expenses for the year 2019 also decreased to P77.448 million or 5.01% lower from last year's Php81.531 million. This decrease in 2020 was mainly due to the 16.46% decrease in salaries and other benefits from Php29.457 million in 2019 to Php24.609 million in 2020; due to the 35.25% decrease in representation from Php7.572 million in 2019 to Php4.903million in 2020; and due to the 33.52% decrease in transportation and travel from Php4.946million in 2019 to Php3.288 million in 2019. While the professional fees and advertising and promotion increased in 2020 by 56.17% and 24.26% respectively. A total of Php5.758 million provision for impairment loss was recognized in 2020 as compared to 2019's Php0.476 million.

As of December 31, 2020, the total consolidated assets of the Company stood at Php2.720 billion compared with last year's Php2.177 billion, an increase by Php543.691 million or 24.98%. Current Assets decreased by Php99.798 million or 16.03%, from Php622.695 million in 2019 to Php522.896 million in 2020. The decrease in Current assets was mainly due to the decrease in Due from Related Parties from Php336.978 million in 2019 to Php167.006 million in 2020. Trade and other Receivables increased by 34.66% from Php227.103 million in 2019 to Php305.818million in 2020. Non-current Assets increased by 41.41% or by Php643.489 million in 2020.

Current liabilities increased by Php135.211 million or 43.30%, from Php312.283 million in 2019 to Php447.493 million in 2020. This was brought by the increase of 103.55% of the Due to Related party from Php96.636 million in 2019 to Php196.700 million in 2020.

Noncurrent Liabilities decreased from Php260.387million in 2019 to P134.669 million in 2020. The decrease was due to the approval on March 2020 by the Securities and Exchange Commission of the Debt to Equity Conversion of Php209.000 Million classified as deposit for future stock subscription in 2019. The deposit for future subscription decreased by 57.42% in the year 2020.

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

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.

On October 31, 2018, the Parent Company signed a five-year ₱50,000,000 loan agreement with PSBC maturing on October 31, 2023. The loan is secured by a real estate and carries an interest rate of 8% per annum.

Total consolidated assets as of December 31, 2020 stood at Php2.720 billion, with Liabilities at Php582.162 million and Equity at Php2.138 billion.

Current assets decreased by 16.03% and current liabilities increased by 43.30% resulting to a decrease of the Company's Liquidity Ratio wherein Current Ratio stood at 1.17:1 and 1.99:1, while Acid Test Ratio stood at 1.10 and 1.84 for the years 2020 and 2019 respectively.

The Company's Return on Equity for the year ended, 2020 and 2019 was at 0.22% and 0.71% respectively.

A further analysis indicates that NOW Corp.'s Asset to Debt Ratio stood at 4.67x and 3.80x; while its Debt to Asset Ratio stood at 0.21x and 0.26x for the year 2020 and 2019 respectively.

#### Year 2019

The consolidated revenue for the year 2019 is Php220.762 million, there is an increase of Php2.901 million or 1.30% from last year's Php217.863 million. The increase is mainly due to the increase in revenue from broadband services which amounted to Php81.671 million in 2019, representing an increase of 72.99% from Php47.211 million in 2018. Company's sales from IT manpower and resource augmentation has decreased by Php4.479 million or 12.71% from Php32.252 million in 2018. Revenue from Software Licenses and other management services for 2019 amounted to Php108.319 million for 2019 which has a decrease of Php27.079 million or 20.00% from revenue in 2018 which amounted to Php135.399 million.

Cost of sales and services during the year amounted to ₱120.035 million, lower by 19.07% or Php28.288 million compared to the Php148.324 million cost of sales and services level posted for the year ended December 31, 2018. While there is an increase of cost of data services during the year amounting to Php48.454 million compared to the amount last year of Php19.212 million. Costs relating to software licenses and other services decreased in 2019 from Php52.365 million to Php2.848 million in 2018. The General and administrative expenses for the year 2019 increased to Php81.530 million or 40.99% increase from last year's Php57.829 million. This increase in 2018 was mainly due to 144% increase in salaries and other benefits from Php12.640 million in 2018 to Php30.833 million in 2019. In 2019, professional fees and taxes and licenses also increased by 75.03% and 72.16% respectively. While the communication and advertising expense decreased in 2019 by 44.16% and 38.64% respectively.

The Net income after tax for the year ended December 31, 2019 increased by 39.06% to Php11.315 million or Php3.178 million higher compared with last year's Net Income of Php8.137 million. This was brought about by increase in gross profit of P31.190 million or 44.85% from last year's Php69.538 million to Php100.727 million.

As of December 31, 2019, the total consolidated assets of the Company stood at Php2.177 billion compared with last year's Php1.914 billion, an increase by Php262.836 million or 13.73%. Current Assets increased by Php60.555 million or 10.77%, from Php562.140 million in 2018 to Php622.695 million in 2019. The increase in Current assets<sup>24</sup> was mainly due to the increase in trade receivables from Php207.414million in 2018 to Php227.103 million in



2019 and an increase also in Due from Related Parties from Php287.567 million in 2018 to Php336.978 million in 2019. Non-current Assets increased by 14.96% or by Php202.281 million in 2019.

Current liabilities decreased by Php162.101 million or 34.17%, from Php474.384 million in 2018 to Php312.283 million in 2019. This was brought by the decrease by 63.62% of the Due to Related party from Php265.668 million in 2018 to Php96.637 million in 2019. The Parent company availed of unsecured loans aggregating to Php14.00 Million from a third party with an interest rate of 8% per annum.

Noncurrent Liabilities decreased from Php310.855 million in 2018 to P260.387 million in 2019. The decrease was due to the approval on November 6, 2019 by the Securities and Exchange Commission of the Debt to Equity Conversion of Php264M classified as deposit for future stock subscription in 2018. The deposit for future subscription decreased by 20.83% in the year 2019.

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

On January 30, 2018, the Parent Company secured a short-term loan agreement with Land Bank of the Philippines amounting to ₱50,000,000 with an interest rate of 4.80% per annum. The loan, including the interests incurred, will mature on July 27, 2018. On the maturity date, the loan was renewed for six (6) months with the same terms and conditions with maturity date of January 23, 2019. On the maturity date, the loan was renewed for another six (6) months with the same terms and conditions with latest maturity date of June 11, 2020.

On October 31, 2018, the Parent Company signed a five-year ₱50,000,000 loan agreement with PSBC maturing on October 31, 2023. The loan is secured by a real estate and carries an interest rate of 12.23% per annum.

Total consolidated assets as of December 31, 2019 stood at Php2.177 billion, with Liabilities at Php572.670 million and Equity at Php1.604 billion.

Current assets increased by 10.77% and current liabilities decreased by 34.17% resulting to an increase of the Company's Liquidity Ratio wherein Current Ratio stood at 1.99:1 and 1.99:1, while Acid Test Ratio stood at 1.84 and 1.10 for the years 2019 and 2018 respectively.

The Company's Return on Equity for the year ended, 2019 and 2018 was at 0.71% and 0.72% respectively.

A further analysis indicates that NOW Corp.'s Asset to Debt Ratio stood at 3.80x and 2.44x; while its Debt to Asset Ratio stood at 0.26x and 0.41x for the year 2019 and 2018 respectively

### Year 2018

The consolidated revenue for the year 2018 is Php217.862 million, there is an increase of Php69.497 million or 46.84% from last year's Php148.364 million. The increase is mainly due to the increase in revenue from broadband services which amounted to Php47.211 million in 2018, representing an increase of 92.60% from Php24.513 million in 2017. Company's sales from IT manpower and resource augmentation has decreased by Php7.023 million or 16.61% from Php42.274 million in 2017. Revenue from Software Licenses and services for 2018 amounted to Php135.399 million for 2018 which has an increase of Php53.822 million or 65.98% from revenue in 2017 which amounted to Php81.577 million.

Cost of sales and services during the year amounted to ₱148.326 million, higher by 72.86% or Php62.521 million compared to the Php85.803 million cost of sales and services level posted for the year ended December 31, 2017. This was primarily attributed to the increase of cost data services during the year amounting to Php46.278 million compared to the amount last year of Php7.386 million. Cost for Software collaboration services also increased by Php31.060 million from Php46.636 Million in 2017. Costs relating to sales decreased from Php31.981 million to Php24.549 million when comparing amounts from those of December 31, 2017 to those of December 31, 2018. The General and administrative expenses for the year 2018 slightly increased to Php57.829 million or 6.94% increase from last year's Php54.078 million. This slight increase in 2018 was mainly due to increase in advertising and promotion amounting to Php8.350 million as compared to Php2.368 million in 2017.

The Net income for the year ended December 31, 2018 is Php8.137 million or Php1.847 million higher compared with last year's Net Income of Php6.290 million. This was brought about by a higher increase in revenue during the year as compared to the increase in cost of sales and services and operating expenses.

As of December 31, 2018, the total consolidated assets of the Company stood at Php1.914 billion compared with last year's Php1.672 billion, an increase by Php242.152 million or 14.48%. Current Assets increased by Php240.182 million or 74.60%, from Php321.958 million in 2017 to Php562.140 million in 2018. The increase in Current assets was mainly due to the increase in trade receivables from Php167.943 million in 2017 to Php207.414 million in 2018 and an increase also in Due from Related Parties from Php95.955 million in 2017 to Php287.567 million in 2018. Non-current Assets slightly increased by Php1.970 million in 2018.

Current liabilities increased by Php158.765 million or 50.30%, from Php315.619 million in 2017 to Php474.384 million in 2018. The increase was due to Php50.000M short term loan payable from Land Bank of the Philippines. Noncurrent Liabilities increased from Php0.351 million in 2017 to P310.854 million in 2018. The increase was due to a Php50 Million Term loan agreement with Producers bank and to the reclassification of the Php264M deposit for future stock subscription to Liability account.

Total consolidated assets as of December 31, 2018 stood at Php1.914 billion, with Liabilities at Php785.239 million and Equity at Php1.129 billion

#### Item 7. Financial Statements

The audited consolidated financial statements are attached as Annex "A".

#### Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

### PART III - CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the Issuer

Under the By-Laws of the Company, the members of the Board of Directors shall hold office for a term of one (1) year until their successors shall have been elected and qualified.

#### Board of Directors

**Mel V. Velarde**, age 58, Filipino, Chairman. He served as President and CEO prior to his election as Chairman He is also Chairman of the Asian Institute of Journalism and Communication. He served as Philippine Commissioner to the United Nations Educational, Scientific and Cultural Organizations ("UNESCO") and Chairperson of the Committee on Science and Technology. Mr. Velarde has built his career in broadcasting, cable TV, telecommunications and information communications technology. He was former Executive Vice President and General Manager of SkyCable, a cable TV company that became the largest in the Philippines. He obtained his Bachelor of Arts in Liberal Students Major in Interdisciplinary Studies (Summa Cum Laude) at Boston University, Massachusetts, US. He completed the Owner/President Management Program at the Harvard Business School, Harvard University, Cambridge, Massachusetts. He has also completed courses leading to a Masters Degree in Business Economics at the University of Asia and the Pacific. In addition, he took up the following executive courses: Wealth Management at Wharton Business School, University of Pennsylvania; Strategic Finance, University of Michigan; Corporate Restructuring and Business Transformation at Harvard Business School; Managing Businesses in China, Tsinghua University and Harvard Business School; Directing Documentaries at the London School of Film and Television; Broadcasting and Cable Television, Satellite Communications, Data and Internet Communications at the United States Telecommunications Training Institute (USTTI); Cybersecurity: Planning, Implementing and Auditing of Critical Security Controls (SANS, Washington D.C.) and Advanced and Competitive Sailing Certifications at the Swain Sailing School at Tortola, the British Virgin Islands, Caribbean.

**Thomas G. Aquino**, age 73, Filipino, Chairman of the Board of Directors. He is a Senior Fellow at the Center for Research and Communications, a multidisciplinary policy group at the University of Asia and the Pacific, Chairman of the Board of Trustees of the REID Foundation, and Trustee of the Asian Institute of Journalism and Communications. He is an Independent Director of ACR Inc., A Brown Company, Holcim Phils., and Pryce Corporation. Dr. Aquino served as Acting Secretary and Senior Undersecretary of the Department of Trade and Industry and Governor of the Board of Investments. He supervised the

country's international trade promotions, international trade negotiations in the World Trade Organization (WTO) and in the ASEAN Free Trade Area (AFTA) as well as the bilateral trade talks with the country's major economic partners. He was lead negotiator for the country in the Japan-Philippines Economic Partnership Agreement and was country representative to the High Level Task Force on ASEAN Integration culminating in the ASEAN Economic Community. For government service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Kamanong) for distinguished service to the country both at home and abroad. He obtained a Doctorate in Business Administration in 1980 from the IESE Business School, University of Navarre in Spain, an MS in Industrial Economics in 1972 from the CRC Graduate School, now University of Asia and the Pacific, and an AB in Economics in 1970 from the School of Economics, University of the Philippines.

**Henry Andrews B. Abes**, age 53, Filipino, was elected member of the Board of Directors on 01 August 2020. He was elected as President and CEO on 24 June 2021. His corporate career spans 30 years in the field of technology and telecommunications, online media, and commercial real estate. He rose from the ranks and eventually headed the residential sales group of Skycable in 1997. In 1999, he became the Vice-President and COO of One Virtual Corporation which pioneered in providing 2 way satellite broadband internet services mainly to private schools and ISPs throughout the country. In 2002, he became the Vice-President and Head of Customer Operations of Nextel Communications Philippines Inc (eventually NOW Telecom Company, Inc.) handling Sales and Marketing, Customer Care, and Revenue Assurance. In 2006, he became the General Manager of PLDT Subic Telecom. In 2009, he set-up all sales, marketing, and business development functions of the Corporate Sales Department of Wi-Tribe Telecoms Inc (formerly Liberty Broadcasting Network Inc.). He is currently the Vice-President for Sales of NTT Ltd. Philippines (formerly DTSI Group) focusing on the Business Process Outsourcing and Global In-House Center Market. Mr. Abes obtained his Bachelor of Arts in Political Science at the Ateneo de Manila University. He also took 3 year law courses from San Beda College of Law and executive courses in Strategic Leadership from Harvard Business Publishing, Sales Management from University of Michigan Business School, and Strategic Marketing and Total Quality Management from Asian Institute of Management.

**Jose S. Alejandro**, age 87, Filipino, Vice Chairman and member of the Board of Directors, served as Chairman of the Board on June 2, 2006 until March 22, 2007 when he resigned from said position and was elected as the Company's President. He served as President until January 21, 2008. As official representing the Company, he has been elected Director of the Philippine Chamber of Commerce and Industry, Inc. (PCCI) for over 12 years and now Adviser on Energy and Utilities. Mr. Alejandro is also been a Member of the Board of Directors of NOW Telecom Company, Inc. (formerly Next Mobile, Inc.) since 1989 and he now serves as the Board's Vice Chairman. He is a business and management professional and leader with over 25 years of corporate experience. He was the former President and CEO of East Asia Power Resources, a local publicly-listed independent power producer during the period of local economic crisis (1997-1999), Country Manager for the Power Systems Business of General Electric Co. (1987-1995), and Vice President - Marketing at GE Philippines, Inc. and General Manager of GE Appliance Co. In these capacities, he led the growth and success of this leading U.S. global diversified corporation in the Philippines. He holds a Bachelor of Arts and a Bachelor of Law degrees from the Ateneo de Manila University and had taken post graduate courses leading to Master in Business Administration in the same school and Business Policies, Manpower and Marketing Strategies at the GE Management Institute in NY, USA. He is a member of the Philippine Bar.

**Vicente Martin W. Araneta III**, age 59, Filipino, Director. He also serves as Director and President of Facilities, Inc. and as Chairman of Real Properties, Inc., the holding company of Facilities, Inc. and owner of the Summit One Tower, Facilities Centre and Palladium Subdivision. He is also a member of the Board of Directors and Chief Financial Officer of ActivAsia, Inc., a 360-degree marketing services company specializing in events, point-of-sale and channel activation. He is an incorporator founding member, Treasurer and Director of the Philippine Chamber of Commerce and Industry – Pasig City, Inc. He serves as director of Arribadigital, Inc. and ActivCare Home Health Solutions, Inc. He is also a member (on-leave) of the Management Association of the Philippines and of the Chamber of Real Estate and Builders Associations Inc. Mr. Araneta is a member of the Ateneo Alumni Association, Inc. and served as a member of its Board of Directors for the period 2005-2007 (served as President in 20026) and 2009-2012. He is an incorporator of the Mandaluyong Business Foundation. Mr. Araneta also served as Director for the period 2004 to 2005 of the Philippine Science High School Foundation.

**Gerard Bnn R. Bautista**, age 58 Filipino, Director, was first elected as a member of the Board of Directors on June 2, 2016. He is also currently the Chairman of the University of Baguio Foundation. He is a partner at Bnn Bautista Associates, an Architecture & Planning firm. He is also a Charter Member of the Rotary Club of Makati, Greenbelt. He is a member of various associations, namely, the Harvard Architectural and Urban Society, the Harvard Club of the Philippines, the Harvard Alumni Alliance for the Environment, the Harvard Alumni Entrepreneurs, the Philippine Jaycees Senate, Rockwell Club, Porsche Club Philippines, and the Baguio Country Club. He served as President of the Makati Jaycees. He also obtained a degree in BS Architecture at the University of the Philippines. Thereafter, he studied Information Technology at the Ateneo Graduate School of Business and Financial Forecasting at the University of Asia and the Pacific. He also studied Finance for Senior Executives<sup>27</sup> and

Management of Family Corporations at the Asian Institute of Management. Moreover, he studied Actuarial Planning at the Kennedy School of Government at Harvard and School Planning and Design in the Graduate School of Design of Harvard as well.

**Francis Xavier la'O Manglapus**, age 66, Filipino, appointed member of the Board of Directors on 10 February 2021. Educated at Cornell University, Hotel and Restaurant Management, he became the first Materials Manager of the Inter-Continental Hotel Chain in New York City, computerizing the purchasing requirements of the world-wide chain. He shifted careers, and joined Merryll Lynch as a financial consultant during the stock market boom in the in 1980's. In the late 90's he became President of a boutique financial advisory firm, Management Exchange Corporation, specializing in asset-backed securities. He was Chairman of the Board of Prime Savings Bank, and also became Chairman of the Board of Bataan Shipyard and Engineering Company.

**Angeline L. Macasaet**, age 49, Filipino, Director. She is concurrently the Corporate Secretary, Chief Legal Officer and Acting Compliance Officer. She is a member of the Philippine Bar. She is also the Corporate Secretary of the various companies under the Velarde Group such as Velarde, Inc., Gamboa Holdings, Inc., Food Camp Industries and Marketing, Inc., Emerald Investments, Inc., as well as enfranchised companies such as NOW Telecom Company, Inc., GHT Network, Inc., News and Entertainment Network, Inc., among many others. She ensures the compliance of these companies with all regulatory requirements as well as the legal requirements involving specific transactions. Her extensive engagement involves all forms of litigation and in all for a. In addition to litigation, Ms. Macasaet has corporate practice all the way to the more complex engagements of management buy-outs, corporate mergers and share swap.

#### Independent Directors

**Domingo B. Bonifacio**, age 68, American, Independent Director, was first elected as Independent Director on 20 January 2017. He is currently the Executive Vice President & General Manager of Automated Technology (Phil) Inc. (ATEC) Connectivity Division. From 2014-2015, he was President of Cirtek Advanced Technologies and Solutions, Inc. From 2005-2014, he served as President and CEO of REMEC Broadband Wireless International, Inc. and from 2005-2014, was the President and CEO of REMEC Manufacturing Philippines, Inc. He obtained his B.S. Electronics and Communications degree from the University of Santo Tomas and passed the Electronics and Communication Engineering Licensure Examination in 1977. He continued his education in 1978-1979 by enrolling in the University of California, Berkley, CA.

**William T. Torres**, age 89, Filipino, Director. Dr. Torres obtained his undergraduate degree from the Mapua Institute of Technology (now Mapua University) graduating at the top of his class in Mechanical Engineering. He started his professional career in the field of education, teaching in Mapua and then later in the Ateneo de Manila University. Awarded a Fulbright-Hays Grant in 1966, he pursued and eventually obtained both Master of Science and Doctor of Philosophy degrees in Computer Sciences from the University of Wisconsin-Madison, USA. He taught for an academic year at Wayne State University in Detroit, Michigan. At the Development Academy of the Philippines he served as Vice-President and later as Senior Vice-President for Operations. He was appointed Managing Director of the National Computer Center in the late 80s. Mr. Torres he has been actively involved in private ICT consulting practice. He joined National Steel Corporation first as consultant and then later as IT head. He was co-founder of the Philippines' first commercial ISP (MosCom) in 1994, was President until he retired in 2008. Currently, in addition to occasional consulting engagements, he is involved as a member of the National Academy of Science and Technology and of the Philippine Electronics and Telecommunications Federation (now Philippine Information Communications Technology Organization), is Vice-Chairman of the Board of Trustees of MFI Polytechnic Institute and of the Asian Institute of Journalism and Communication. Dr. Torres has served as a member of the Board of Trustees of the Mapua Institute of Technology from 2002 to 2010 and continues as Distinguished Professor, School of Information Technology.

**Colin Ross Christie**, age 62, British, is a nominee as Independent Director, has held senior executive posts in the Philippines and USA, including serving as CEO and board member of private and publicly-traded companies. He is the Executive Director of Global Chamber® Manila and is the Founder and current President of the Board of Trustees of the Analytics Association of the Philippines. He previously served on the Board of Trustees of the Healthcare Information Management Association of the Philippines (HIMAP) and was one of its founders. He is a Director of Lifetrack Medical Systems Inc, an award-winning provider of a next-generation and patented distributed radiology platform. He is also a Co-founder and Director of Medcode Inc., the leading

Philippines provider of training solutions in medical coding. He also serves as Director of Digital Transformation for Enderun Colleges and is a member of the faculty for the College of Business, Technology, Entrepreneurship, and Economics. He was the founder and CEO of MxSecure, Inc., an early pioneer in the Philippines BPO sector, recognized by Entrepreneur magazine and on the INC magazine list of fastest growing US companies for four successive years. Mr. Christie has practiced a life-long passion for business innovation through transformative technologies. He is a frequent speaker at business and education conferences. He earned his Bachelor of Science in Chemical Engineering from the University of California, Berkeley.

#### Management Team

The following are the members of the Company's management team:

<b>Mel V. Velarde</b>	Chairman of the Board
<b>Thomas G. Aquino</b>	Vice Chairman
<b>Henry Andrews B. Abes</b>	President and Chief Executive Officer
<b>Rene L. Rosales</b>	Chief Technology Officer
<b>Jozolly O. Ramos-Uy</b>	Acting Chief Finance Officer
<b>Melissa T. Dimayuga</b>	Acting Treasurer and Chief of Corporate Finance and Investor Relations
<b>Elena H. Dimailig</b>	Head of Operations
<b>Kristian Noel A. Pura</b>	Managing Director of Business and Strategy and Marketing
<b>Arturo D. Sabino</b>	Chief Audit Executive
<b>Angeline L. Macasaet</b>	Chief Legal Counsel, Corporate Secretary, Acting Compliance Officer
<b>Joemar S. Tiano</b>	Head of Customer Experience Group

#### Identity of Significant Employees

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

#### Family Relationship

Except for the Chairman Mr. Mel V. Velarde and Ms. Jonah Kasthen V., Rosero, none of the Advisors, Executive Officers and Management employees are related by affinity or consanguinity.

#### Involvement in Certain Legal Proceeding

The Company is not a party to any administrative, civil or criminal litigation or proceeding pending or threatened against or relating to the Company in any of the courts in the Philippines or abroad.

#### Item 10. Executive Compensation

The aggregate compensation of executive officers and directors of the Company for the year 2021 and 2020, and the estimated compensation for the year 2022 are as follows:

ACTUAL	2021			2020
	COMPENSATION	OTHERS	TOTAL	TOTAL
A. Five (5) most highly compensated Executive Officers	10,539,758	1,437,216	10,225,086	12,053,828
All directors and executive officers as a Group unnamed	2,411,902	750,966	3,162,868	2,667,071

PROJECTED	2022		
	COMPENSATION	OTHERS	TOTAL
A. Five (5) most highly compensated Executive Officers	12,089,564	1,007,464	13,097,028

All directors and executive officers as a Group unnamed	2,411,902	770,966	3,182,868
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The following are the 5 highest compensated directors / executive officers of the Company for the year 2021:

1. Rene L. Rosales 2. Mel V. Velarde, 3. Angeline L. Macasaet, 4. Henry Andrews B. Abes 5. Joemar S. Tiano.

Except Mr. Mel V. Velarde, Ms. Angeline L. Macasaet and Mr. Henry Andrews B. Abes, none of the other members of the board of directors received any compensation or salary except for per diem every board meeting.

#### Standard Arrangement

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly for any services rendered provided as a director/executive officer for the last completed fiscal year and the ensuing year.

#### Other Arrangement

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

#### Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors

None. However, during the June 6, 2019 annual meeting, the stockholders approved the creation of Employee Stock Option Plan (ESOP), certain features, terms and conditions of which favor the executive officers and directors. The Company's ESOP has not yet been finalized and implemented.

### Item 11. Security Ownership of Certain Beneficial Owners and Management

#### Voting Securities and Principal Holders Thereof

The Company has outstanding common shares totaling 1,806,726,314 shares as of 31 March 2022.

#### Security Ownership of Certain Record and Beneficial Owners (More than 5% as of 31 March 2021)

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with the Record Owner	Citizenship	No. of Shares Held	Percentage
Common	PDC Nominee Corporation *	-	Filipino	902,477,166	49.9510
Common	Top Mega Enterprises Limited Room 503 Fu Fai Commercial Centre, Hillier St., Sheungwan, Hong Kong	Romeo C. Escobar, Jr. - stockholder	Chinese	333,146,855	18.4393
Common	Velarde, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Amparo V. Velarde, - Stockholder	Filipino	490,019,514	27.1220
					<b>30</b>

Common	Emerald Investments, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Amparo V. Velarde, Indirect stockholders	Filipino	250,644,360	13.8728
Common	Gamboa Holdings, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati	Amparo V. Velarde, - Indirect stockholder	Filipino	217,875,577	12.0591

#### Security Ownership of Directors and Management as of 31 March 2021

The directors and officers of the Company have no security ownership in the capital stock of the Company other than the qualifying shares recorded in the names of the directors but beneficially owned by corporate shareholders:

Title Class	Name of Beneficial Owner	Amount and Nature of	Citizenship	Percent of
Common	Thomas G. Aquino	1 (Direct)	Filipino	<.01
Common	Jose S. Alejandro	10 (Direct)	Filipino	<.01
Common	Mel V. Velarde	10 (Direct)	Filipino	<.01
Common	Vicente Martin W. Araneta	1 (Direct)	Filipino	<.01
Common	Gerard Bnn R. Bautista	1 (Direct)	Filipino	<.01
Common	Henry Andrews B. Abes	1 (Direct)	Filipino	<.01
Common	Domingo B. Bonifacio	1 (Direct)	American	<.01
Common	Francis Xavier L. Manglapus	1 (Direct)	Filipino	<.01
Common	William T. Torres	1 (Direct)	Filipino	<.01
Common	Angeline L. Macasaet	1 (Direct)	Filipino	<.01

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

#### **Item 12. Certain Relationships and Related Transactions**

None of the Advisors, Executive Officers and Management employees are related by affinity or consanguinity.

In the normal course of business, the following transactions have been entered into with related parties affecting consolidated statements of income:

	Nature of Transaction	Transactions during the Year		Outstanding Balances	
		2021	2020	2021	2020
<b>Trade and other receivables</b>					
<i>Stockholders</i>	Management fees	<b>₱240,000</b>	₱262,800	<b>₱ 4,682,492</b>	₱2,548,800
<i>Entities under common control</i>	Infrastructure build-up services	<b>80,000,000</b>	80,000,000	<b>280,928,618</b>	234,575,645
	Management fees	<b>9,000,000</b>	9,000,000	<b>106,875</b>	157,337
				<b>₱285,717,985</b>	₱237,281,782
<b>Due from related parties</b>					
<i>Stockholders</i>	Advances	<b>₱37,099,844</b>	₱980,802	<b>₱119,895,587</b>	₱89,888,019
	Interest	<b>7,092,276</b>	7,094,489	<b>22,257,624</b>	15,165,348
<i>Entities under common control</i>	Advances	<b>14,450,817</b>	32,412,953	<b>69,077,600</b>	61,947,188
				<b>₱211,230,811</b>	₱167,000,555

	Nature of Transaction	Transactions during the Year		Outstanding Balances	
		2021	2020	2021	2020
<b>Accounts payable and other current liabilities</b>					
<i>Stockholders</i>	Interest	<b>₱–</b>	<b>₱–</b>	<b>₱59,903,586</b>	₱59,903,586
<i>Entities under common control</i>	Outside services	<b>2,333,841</b>	2,995,164	<b>6,480,236</b>	6,737,474
	Advances	<b>3,858,550</b>	1,353,830	<b>11,147,618</b>	7,289,068
				<b>₱70,358,539</b>	₱73,930,128
<b>Due to related parties</b>					
<i>Stockholders</i>	Advances	<b>₱34,300,624</b>	₱189,128,325	<b>₱ 6,511,867</b>	₱186,354,243
	Leases	–	–	<b>2,896,778</b>	2,896,778
<i>Entities under common control</i>	Advances	–	–	<b>339,606</b>	339,606
	Services	–	–	<b>605,212</b>	605,212
	Leases	<b>390,000</b>	390,000	<b>37,066</b>	6,504,066
				<b>₱10,390,529</b>	₱196,699,905

Please refer to the Notes on Related Party Transactions of the Notes to Consolidated Financial Statements of the 2021 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

#### PART IV – CORPORATE GOVERNANCE

##### Item 13. Corporate Governance

Per SEC Memorandum Circular No. 15 Series of 2017, the Integrated Annual Corporate Governance Report shall be due on or before 30 May 2022, hence not yet included in this report.

#### PART V - EXHIBITS AND SCHEDULES

##### Item 14. Exhibits and Reports on SEC Form 17-C

###### (a) Exhibits

The copy of audited consolidated financial statements is attached as Annex “A”. The Secretary’s Certificate certifying the authorized signatories for the Statement of Management Responsibility is attached as Annex “B” and the Sustainability Report as Annex “C”.

###### b) Reports on SEC Form 17-C

The following were the reports on SEC Form 17-C filed during the year 2021 until 1<sup>st</sup> Quarter of 2022



DATE	PARTICULARS
13 December 2021	<p>The Board of Directors resolved that in connection with the Top Up Placement through a Placing and Subscription Transaction whereby 160,000,000 common shares which is equivalent to 8.14% of the total issued and outstanding common shares of the Company shall be offered and sold by an existing shareholder to Qualified Buyers under Section 10(l) of the SRC and/or to not more than 19 non-qualified buyers, and the subsequent issuance by the Company of the same number of common shares to be subscribed to by the Selling Shareholder as previously disclosed on 24 June 2021 to the Exchange by the Company, the Board of Directors approves the computation of the Subscription Price/Offer Price to be based on a 5% discount to the 30-day Volume Weighted Average Price (VWAP) of the 30-day trading period on the pricing date for the purpose of raising up to Php800,000,000.00 to be used to fund the Company’s expansion projects; and</p> <p>RESOLVED FURTHER, as it is hereby further resolved, that the Board approves the renewal of the mandate of PNB Capital and Investment Company for a period of one (1) year beginning 13 December 2021 as Issue Manager, Financial Advisor and Bookrunner for the Top-Up Placement transaction and the appointment of Cruz Marcelo &amp; Tenefrancia Law Firm as the Company’s Transaction Counsel.”</p>
01 July 2021	<p>At the Special Meeting held on 01 July 2021, the Board of Directors of NOW Corporation unanimously approved, confirmed, and ratified the offer of an existing shareholder, Velarde, Inc., to convert its advances into equity in the amount of Two Hundred Twenty One Million Pesos (Php221,000,000.00) with the conversion price computed based on the Volume Weighted Average Price (VWAP) of the 30-day trading period ending 24 June 2021 or at Php2.38 per share, and the listing with the Philippine Stock Exchange of additional shares resulting from the said conversion.</p> <p>Likewise, in the same meeting, the Board appointed the Chairman and the President and CEO to be nominated and voted in as members of the Board of Directors of its affiliate, NOW Telecom Company, Inc., to occupy the two (2) board seats proportionate to the Company’s current percentage shareholding in the said affiliate.</p>

June 2021	<p>At the 24 June 2021 Joint Organizational and Regular Meeting of the Board of Directors, the following officers and committee members were elected to the respective positions opposite their names:</p> <p>Chairman – Mr. Mel V. Velarde  Vice-Chairman – Dr. Thomas G. Aquino  President and CEO – Mr. Henry Andrews B. Abes  Corporate Secretary and Acting Compliance Officer - Atty. Angeline L. Macasaet  Acting Chief Financial Officer – Ms. Jozolly O. Ramos-Uy  Acting Treasurer – Ms. Melissa D. Dimayuga  Chief Risk Officer – Mr. Vicente Martin W. Araneta III  Chief Audit Executive – Mr. Arturo D. Sabino</p> <p><b><u>Nomination and Election Committee:</u></b>  Atty. Jose S. Alejandro - Chairman  Arch. Gerard Bnn R. Bautista -Member  Mr. Domingo B. Bonifacio - Member</p> <p><b><u>Audit and Risk Management Committee:</u></b>  Dr. William T. Torres – Chairman  Mr. Vicente Martin W. Araneta – Member  Mr. Colin R. Christie - Member</p> <p><b><u>Compensation and Remuneration Committee</u></b>  Dr. Thomas G. Aquino – Chairman  Mr. Henry Andrews B. Abes - Member  Mr. Francis Xavier L. Manglapus - Member</p> <p><b><u>Related Party Transaction Committee</u></b>  Mr. Domingo B. Bonifacio - Chairman  Mr. Vicente Martin W. Araneta III - Member  Mr. Colin R. Christie - Member</p> <p><b><u>Corporate Governance Committee</u></b>  Mr. Domingo B. Bonifacio – Chairman  Dr. William T. Torres – Member  Mr. Colin R. Christie - Member</p> <p><b><u>Management Committee</u></b>  Dr. Thomas G. Aquino – Chairman  Mr. Mel V. Velarde – Member  Angeline L. Macasaet - Member</p>
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24 June 2021	<p>The following were elected as Directors during the Annual Meeting of the Stockholders held on 24 June 2021:</p> <ol style="list-style-type: none"> <li>1. Thomas G. Aquino</li> <li>2. Mel V. Velarde</li> <li>3. Jose S. Alejandro</li> <li>4. Vicente Martin W. Araneta III</li> <li>5. Gerard Bnn R. Bautista</li> <li>6. Domingo B. Bonifacio – Independent Director</li> <li>7. Francis Xavier L. Manglapus</li> <li>8. Henry Andrews B. Abes</li> <li>9. William T. Torres – Independent Director</li> <li>10. Colin R. Christie – Independent Director</li> <li>11. Angeline L. Macasaet</li> </ol> <p>During the said 24 June 2021 Annual Stockholders’ Meeting, the shareholders present, in person or by proxy, unanimously approved/ratified the following items:</p> <ol style="list-style-type: none"> <li>1. Minutes of the Annual Stockholders' Meeting held on 04 June 2020;</li> <li>2. Acts and resolutions of the Board of Directors and Management since the 24 June 2020 Annual Stockholders’ Meeting up to the date of the annual meeting of stockholders on 24 June 2021, This includes, but not limited to, the ratification of the approval of the Board of Directors on 24 August 2020 of the subscription of an existing shareholder, Velarde, Inc., to 102M common shares at a subscription price of Php2.25/share and 60M Redeemable Convertible Cumulative Non-Participating Non-Voting Peso-denominated Preferred Shares and that the shares issued out of the said subscription be listed with the Philippine Stock Exchange.</li> <li>3. 2020 Annual Report and Audited Financial Statements;</li> <li>4. Re-Appointment of Reyes Tacandong &amp;Co. as Independent External Auditor;</li> <li>5. Amendment of the Seventh Article of Incorporation to increase the authorized capital stock by Php356M and to list with the Philippine Stock Exchange the common shares subscribed to and issued out with a price of Php2.18 per share based on VWAP ending 27 July 2020;</li> <li>6. Top Up Placement through a Placing and Subscription Transaction, as whereby up to 160,000,000 common shares of the Corporation shall be offered and sold by an existing shareholder to Qualified Buyers under Section 10(l) of the SRC and/or to not more than 19 non-qualified buyers, and the subsequent issuance by the Corporation of the same number of common shares to be subscribed by the Selling Shareholder at a Subscription Price equal to the Offer Price, for the purpose of raising Php800,000,000.00 to be used to fund the Corporation’s expansion projects; and</li> <li>7. Subscription to NOW Telecom Company, Inc. shares using its existing advances amounting to Php130,500,000.00 plus deposits of Php469,500,000 for a total consideration of Php600,000,000.00 and its subscription to 1,000,000 common shares at a price of Php600.00 per share, for a total consideration of Php600,000,000.00 which will result in increase of the Company's equity in NOW Telecom from 19% to 24.23%.</li> </ol>
10 February 2021	<p>Setting of the record date on 03 May 2021 for the Company’s annual stockholders’ meeting set on 03 June 2021.</p> <p>Grant of delegated authority to the Chairman, the President and CEO and the Treasurer-CFO to approve the release of the 2020 Audited Financial Statements of the Company as prepared by its external auditor.</p> <p>Resignation of Mr. Ramon Guillermo R. Tuazon, Ms. Winnita V. Ysog and Atty. Marlou B. Ubano as members of the Board of Directors effective 10 February 2021. The said resignations were not due to any disagreement with the Company on any matter relating to the Company’s operations, policies or practices. On the same date, the Board elected Dr. William T. Torres and Mr. Francis Xavier L. Manglapus as new directors to replace and serve the unexpired term of Atty. Ubano and Ms. Ysog, respectively. The Company will make further disclosure for Mr. Tuazon’s replacement as soon the Board elects the new one.</p>
16 March 2022	<p>At the Regular Meeting of the Board of Directors of NOW Corporation held on 16 March 2022, the Board approved the setting of the annual stockholders’ meeting to be on 02 June 2022 with record date of 09 May 2022. Also at the said meeting, the Board approved the delegation to the Chairman, or in his absence the Vice-Chairman, to the President and to the Acting Chief Finance Officer, the authority to approve the 2021 audited financial statements of the Company.</p>

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in MANILA on 12 May 2022.



**Henry Andrews B. Abes**  
President and CEO



**Jozolly O. Ramos-Uy**  
Acting CFO



**Angeline L. Macasaet**  
Corporate Secretary

ACKNOWLEDGMENT

**16 MAY 2022**

SUBSCRIBED AND SWORN to before me this this 16 May 2022, the affiants appears with their respective competent evidence of identity, as follows:

NAMES	Competent Evidence of Identity	Expiry Date
Henry Andrews B. Abes	Philippine Passport P8333779A7	12 August 2028
Jozolly O. Ramos-Uy	Philippine Passport P6193401A	26 February 2028
Angeline L. Macasaet	Philippine Passport P3600193A	05 July 2022

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Book No. XV  
Series of 2022.



**ATTY. HENRY D. ADASA**

NOTARIAL PUBLIC CITY OF MANILA  
NOTARIAL COMMISSION 2020-697 12/31/21 MANILA  
JEN. NO. 176598-01/03/22 PASIG  
PTR NO. D060197-01/05/22 MANILA  
ROLL NO. 29679, TIN NO. 172-528-620  
MCLE COMPLIANCE NO. VH-0000165 6/26/19 VALID UNTIL APRIL 14, 2025  
URBAN DECA HOMES MANILA, 8-3 UNIT 355, TONDOL, MANILA  
UNDER SUPREME COURT B.M. NO. 3795  
EXTENDED FROM JAN. 01 TO JUNE 30, 2022



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR  
CONSOLIDATED FINANCIAL STATEMENTS**

The Management of **Now Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended **December 31, 2021, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

**MEL V. VELARDE**  
Chairman of the Board

**HENRY ANDREWS B. ABES**  
President/Chief Executive Officer

SUBSCRIBED AND SWORN TO  
BEFORE ME THIS MAY 12 2022  
AFFIANTE EXHIBITING TO ME  
WITH VALID I.D. NO. \_\_\_\_\_

**JOZOLLY O. RAMOS-UY**  
Acting Chief Finance Officer

Signed this 10th day of May 2022

DOC. NO: 171  
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BOOK NO: XVIII  
SERIES NO: 2022

**ATTY. MA. PATRICIA P. CABRERA**  
Notarial Commission Extended Until  
June 30, 2024, per Supreme Court  
Resolution Under B.M. No. 3795  
PTR No. 1251864; 01/03/22 - QC  
ISP No. 178-30; 01/03/22 - QC  
MILE VI Compliant as of Oct. 2021  
[Awaiting Compliance Certificate]

(632) 7799 7700 (632) 7 750 0461 marcom@now-corp.com now-corp.com

NOW Corporation is a Philippine Stock Exchange (PSE) listed company  
Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca corner Dela Rosa and Gil Streets,  
Legaspi Village, Makati City 1229 Philippines

**COVER SHEET**

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A
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**COMPANY INFORMATION**

Company's Email Address <b>info@now-corp.com</b>	Company's Telephone Number/s <b>(02) 7-750-0211</b>	Mobile Number <b>0917-801-1115</b>
No. of Stockholders <b>70</b>	Annual Meeting (Month / Day) <b>Every First Thursday of June</b>	Fiscal Year (Month / Day) <b>December 31</b>

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

Name of Contact Person <b>Ms. Jozolly O. Ramos - Uy</b>	Email Address <b>jozolly.ramos@now-corp.com</b>	Telephone Number/s <b>(02) 7-750-0211</b>	Mobile Number <b>0917-801-1115</b>
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**CONTACT PERSON'S ADDRESS**

<b>Unit 5-1, 5<sup>th</sup> Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City</b>
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**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 shall not excuse the corporation from liability for its deficiencies.

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
NOW Corporation and Subsidiaries  
Unit 5-1, 5th Floor, OPL Building  
100 C. Palanca St., Legaspi Village  
Makati City

### *Opinion*

We have audited the accompanying consolidated financial statements of NOW Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Classification and Valuation of Investment in NOW Telecom Company, Inc. (NOW TEL)

As at December 31, 2021, the Group has 19% equity investment in NOW TEL amounting to ₱1.60 billion, which represents 57% of the Group's total assets. This unquoted equity investment is classified as a financial asset at fair value through other comprehensive income (FVOCI).

The determination of classification and fair value of the investment in NOW TEL is significant to our audit because (a) the amount of the investment is material to the consolidated financial statements, and (b) the Group applied significant judgment in assessing the proper classification and in selecting the appropriate technique and assumptions used in the valuation.

We reviewed the factors considered by management in classifying the investment as financial asset at FVOCI and the management's assessment that it did not meet the criteria for other classification as at December 31, 2021 based on the relevant accounting standard.

We reviewed the valuation technique and key assumptions applied by management in estimating future cash flows and other factors affecting the determination of the valuation such as NOW TEL's franchise term, current industry trends, and other relevant internal and external data.

We also reviewed the disclosures in Notes 2, 3, 7 and 21 to the consolidated financial statements related to the classification and valuation of the investment in NOW TEL.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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



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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Belinda B. Fernando.

**REYES TACANDONG & Co.**

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

May 10, 2022

Makati City, Metro Manila

**NOW CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
		2021	2020
	Note		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	₱21,014,551	₱17,270,381
Trade and other receivables	5	337,025,453	305,818,398
Contract assets	15	1,370,685	1,370,685
Due from related parties	12	211,230,811	167,000,555
Other current assets	6	35,772,079	31,436,115
Total Current Assets		606,413,579	522,896,134
<b>Noncurrent Assets</b>			
Investments and advances	7	2,195,958,904	2,181,369,376
Property and equipment	8	10,693,867	5,339,068
Right-of-use (ROU) assets	14	5,893,024	7,327,432
Other noncurrent assets	6	4,978,008	3,524,139
Total Noncurrent Assets		2,217,523,803	2,197,560,015
		<b>₱2,823,937,382</b>	<b>₱2,720,456,149</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	9	₱176,343,008	₱170,510,820
Due to related parties	12	10,390,529	196,699,905
Short-term loans	10	112,000,000	62,000,000
Current portion of long-term loans	10	17,324,978	14,833,436
Current portion of lease liabilities	14	3,696,096	3,448,511
Total Current Liabilities		319,754,611	447,492,672
<b>Noncurrent Liabilities</b>			
Deposits for stock subscriptions	11	310,000,000	89,000,000
Long-term loans - net of current portion	10	24,324,727	36,689,204
Lease liabilities - net of current portion	14	4,044,345	5,116,444
Retirement liability	13	5,002,340	3,862,885
Deferred tax liability	18	-	634
Total Noncurrent Liabilities		343,371,412	134,669,167
Total Liabilities		663,126,023	582,161,839
<b>Equity</b>			
Equity attributable to equity holders of the Parent Company:			
Capital stock	11	1,324,708,420	1,324,708,420
Additional paid-in capital	11	541,569,110	541,569,110
Equity reserve	2	(1,978,794)	(1,978,794)
Deficit		(6,040,241)	(14,283,549)
Other comprehensive income		306,047,916	291,477,118
		2,164,306,411	2,141,492,305
Non-controlling interest		(3,495,052)	(3,197,995)
Total Equity		2,160,811,359	2,138,294,310
		<b>₱2,823,937,382</b>	<b>₱2,720,456,149</b>

See accompanying Notes to Consolidated Financial Statements.

**NOW CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

		Years Ended December 31		
	Note	2021	2020	2019
<b>REVENUE</b>	15			
Service fees		₱187,076,329	₱190,658,559	₱216,723,520
Sale of goods		9,327,650	11,064,865	4,038,959
		<b>196,403,979</b>	201,723,424	220,762,479
<b>COST OF SALES AND SERVICES</b>	16	<b>(115,954,558)</b>	(109,103,305)	(120,035,127)
<b>GROSS PROFIT</b>		<b>80,449,421</b>	92,620,119	100,727,352
<b>OPERATING EXPENSES</b>	17	<b>(67,844,249)</b>	(77,448,235)	(81,530,518)
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	10	(10,083,888)	(11,471,280)	(10,634,361)
Interest income	4	7,122,907	7,131,732	7,147,063
Net foreign exchange gain (loss)		(208,773)	(24,994)	10,552
Others		1,337,125	(55,950)	(13,866)
		<b>(1,832,629)</b>	(4,420,492)	(3,490,612)
<b>INCOME BEFORE INCOME TAX</b>		<b>10,772,543</b>	10,751,392	15,706,222
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	18			
Current		2,826,926	6,076,899	4,388,226
Deferred		(634)	(2,532)	3,166
		<b>2,826,292</b>	6,074,367	4,391,392
<b>NET INCOME</b>		<b>₱7,946,251</b>	₱4,677,025	₱11,314,830
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		₱8,243,308	₱5,078,029	₱10,875,888
Non-controlling interest		(297,057)	(401,004)	438,942
		<b>₱7,946,251</b>	₱4,677,025	₱11,314,830
<b>Earnings per Share Attributable to Equity Holders of the Parent Company</b>	19			
Basic		₱0.0046	₱0.0030	₱0.0070
Diluted		0.0044	0.0029	0.0070

See accompanying Notes to Consolidated Financial Statements.

**NOW CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31		
		2021	2020	2019
<b>NET INCOME</b>		<b>₱7,946,251</b>	₱4,677,025	₱11,314,830
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Changes in fair value of investment in equity securities	7	<b>14,589,528</b>	43,653,014	200,078,272
Remeasurement loss on retirement liability	13	–	(1,253,152)	–
<i>Item to be subsequently reclassified to profit or loss -</i>				
Cumulative translation adjustments		<b>(18,730)</b>	16,555	11,963
		<b>14,570,798</b>	42,416,417	200,090,235
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱22,517,049</b>	₱47,093,442	₱211,405,065
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱22,814,106</b>	₱47,494,446	₱210,966,123
Non-controlling interest		<b>(297,057)</b>	(401,004)	438,942
		<b>₱22,517,049</b>	₱47,093,442	₱211,405,065

See accompanying Notes to Consolidated Financial Statements.

**NOW CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2021	2020	2019
<b>CAPITAL STOCK</b>				
	11			
<i>Common stock</i>				
Balance at beginning of year		₱1,264,708,420	₱1,170,800,728	₱1,517,278,350
Issuance		–	71,400,000	–
Debt-to-equity conversion		–	22,507,692	108,705,883
Effect of decrease in par value		–	–	(455,183,505)
Balance at end of year		<b>1,264,708,420</b>	1,264,708,420	1,170,800,728
<i>Preferred stock</i>				
Balance at beginning of year		60,000,000	–	–
Issuance		–	60,000,000	–
Balance at end of year		<b>60,000,000</b>	60,000,000	–
		<b>1,324,708,420</b>	1,324,708,420	1,170,800,728
<b>ADDITIONAL PAID-IN CAPITAL</b>				
	11			
Balance at beginning of year		541,569,110	208,372,079	–
Issuance		–	158,100,000	–
Debt-to-equity conversion		–	186,492,308	155,294,117
Stock issuance costs	6	–	(11,395,277)	–
Effect of decrease in par value		–	–	53,077,962
Balance at end of year		<b>541,569,110</b>	541,569,110	208,372,079
<b>EQUITY RESERVE</b>				
Balance at beginning and end of year	2	<b>(1,978,794)</b>	(1,978,794)	(1,978,794)
<b>DEFICIT</b>				
Balance at beginning of year		<b>(14,283,549)</b>	(19,361,578)	(432,343,009)
Net income		<b>8,243,308</b>	5,078,029	10,875,888
Effect of equity restructuring	11	–	–	402,105,543
Balance at end of year		<b>(6,040,241)</b>	(14,283,549)	(19,361,578)
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Cumulative unrealized gains on fair value changes on investment in equity securities</b>				
	7			
Balance at beginning of year		292,091,026	248,438,012	48,359,740
Unrealized gain		14,589,528	43,653,014	200,078,272
Balance at end of year		<b>306,680,554</b>	292,091,026	248,438,012
<b>Cumulative remeasurement losses on retirement liability</b>				
	13			
Balance at beginning of year		<b>(1,769,034)</b>	(515,882)	(515,882)
Remeasurement loss		–	(1,253,152)	–
Balance at end of year		<b>(1,769,034)</b>	(1,769,034)	(515,882)

(Forward)

		<b>Years Ended December 31</b>		
	Note	2021	2020	2019
<b>Cumulative translation adjustments</b>				
Balance at beginning of year		<b>₱1,155,126</b>	₱1,138,571	₱1,126,608
Exchange differences on translation of foreign operations		<b>(18,730)</b>	16,555	11,963
Balance at end of year		<b>1,136,396</b>	1,155,126	1,138,571
		<b>306,047,916</b>	291,477,118	249,060,701
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>				
		<b>2,164,306,411</b>	2,141,492,305	1,606,893,136
<b>NON-CONTROLLING INTEREST</b>				
Balance at beginning of year		<b>(3,197,995)</b>	(2,796,991)	(3,235,933)
Net income (loss)		<b>(297,057)</b>	(401,004)	438,942
Balance at end of year		<b>(3,495,052)</b>	(3,197,995)	(2,796,991)
		<b>₱2,160,811,359</b>	₱2,138,294,310	₱1,604,096,145

See accompanying Notes to Consolidated Financial Statements.

**NOW CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		₱10,772,543	₱10,751,392	₱15,706,222
Adjustments for:				
Interest expense	10	10,083,888	11,471,280	10,634,361
Depreciation and amortization	8	9,599,427	9,658,522	11,181,531
Interest income	4	(7,122,907)	(7,131,732)	(7,147,063)
Retirement expenses	13	1,139,455	1,041,636	592,407
Provision for impairment loss on trade and other receivables	17	228,450	5,757,512	476,262
Operating income before working capital changes		24,700,856	31,548,610	31,443,720
Decrease (increase) in:				
Trade and other receivables		(31,435,505)	(84,473,254)	(20,164,832)
Other current assets		(4,325,539)	3,044,517	(6,078,495)
Contract assets		–	42,480	107,376
Increase (decrease) in accounts payable and other current liabilities		5,807,928	24,877,238	(10,981,943)
Net cash used for operations		(5,252,260)	(24,960,409)	(5,674,174)
Income taxes paid		(2,826,292)	(6,074,367)	(4,388,226)
Interest received		36,684	37,243	54,793
Net cash used in operating activities		(8,041,868)	(30,997,533)	(10,007,607)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Due from related parties		(37,144,033)	46,571,806	(42,319,050)
Other noncurrent assets		(15,858)	(102,612)	(347,866)
Additions to:				
Property and equipment	8	(10,375,228)	(2,367,889)	(5,496,473)
Computer software	6	(3,026,262)	(2,268,454)	–
Advances made for investment	7	–	(469,500,000)	–
Net cash used in investing activities		(50,561,381)	(427,667,149)	(48,163,389)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Availments of:				
Short-term loan	24	50,000,000	–	14,000,000
Long-term loan		7,103,200	–	–
Issuance of capital stock	11	–	289,500,000	–
Increase in due to related parties		34,690,624	189,063,188	39,969,582
Payments of:				
Loan principal		(14,114,344)	(2,141,048)	–
Interest		(12,605,920)	(9,207,024)	(8,425,043)
Lease liabilities	14	(2,726,141)	(2,592,685)	(1,889,844)
Net cash provided by financing activities		62,347,419	464,622,431	43,654,695

(Forward)



	Note	Years Ended December 31		
		2021	2020	2019
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>₱3,744,170</b>	₱5,957,749	(₱14,516,301)
<b>CASH AT BEGINNING OF YEAR</b>		<b>17,270,381</b>	11,312,632	25,828,933
<b>CASH AT END OF YEAR</b>		<b>₱21,014,551</b>	₱17,270,381	₱11,312,632
<b>NONCASH FINANCIAL INFORMATION</b>				
Reclassification from due to related parties				
to deposits for stock subscriptions	11	<b>₱221,000,000</b>	₱89,000,000	₱209,000,000
Recognition of ROU assets	14	<b>1,561,868</b>	4,750,754	5,171,364
Recognition of lease liabilities	14	<b>1,561,868</b>	4,750,754	5,141,364
Debt-to-equity conversion	11	–	209,000,000	264,000,000
Reclassification from due from related parties				
to advances for investment	7	–	130,500,000	–
Equity restructuring	11	–	–	455,183,505

See accompanying Notes to Consolidated Financial Statements.

**NOW CORPORATION AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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 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.

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).

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's shares of stock are listed 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 table below presents the Parent Company's subsidiaries and the respective percentage of effective ownership as at December 31, 2021 and 2020:

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

The Parent Company and its subsidiaries are collectively referred herein 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.

### **Approval of Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issue by the BOD on May 10, 2022, as reviewed and recommended for approval by the Audit Committee on the same date.

### **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. (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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## **2. 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 (Peso), which is the Group’s functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the following accounts:

- investment in equity securities measured at fair value;
- lease liabilities measured at present value of future lease payments; and
- retirement liability measured at present value of estimated future cash outflows.

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.

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications 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, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted.

The adoption of the foregoing amended PFRS did not have any material effect on 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, 2021 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 PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.
- 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 - *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.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgments*, is amended by adding guidance and

examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. 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 the 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, 2021 and 2020, 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.

Cash, 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. 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 ECL. 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.

### **Contract Balances**

*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.

### **Value-Added Tax (VAT)**

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.

*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.

*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.

**Other Current Assets**

Other current assets mainly include creditable withholding taxes (CWT), inventories, prepayments, 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.

*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.

*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.

**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 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 are computed using the straight-line method over the estimated useful lives of the assets as follows:

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

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method 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.

### **Deposits for Stock Subscriptions**

Deposits for stock subscriptions represent funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposits for stock subscriptions 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 as an addition to Parent Company's deficit balance.

*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 (Loss).* OCI comprises of items of income and expenses that are not recognized in profit or loss. OCI represents cumulative unrealized gains on investment in equity securities, cumulative remeasurement losses on retirement liability and cumulative translation adjustments.

### **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, and net of 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 purchase cost 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

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.

### **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 potential dilutive 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.

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### **3. 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.

*Determination 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 as at December 31, 2021 and 2020. 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 eleven (11) BOD members. On this basis, the Group has assessed that it has no significant influence over NOW TEL and classified the investments as equity securities at FVOCI as at December 31, 2021 and 2020.

*Classification of Lease Commitments – the Group as a Lessee.* The Group has entered into leases for office spaces, parking spaces and roof decks. 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	2021	2020
ROU assets	14	<b>₱5,893,024</b>	₱7,327,432
Lease liabilities	14	<b>7,740,441</b>	8,564,955

Rent expense on short-term leases amounted to ₱4.5 million and ₱4.0 million in 2021 and 2020, respectively (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 ₱0.2 million, ₱5.8 million and ₱0.5 million in 2021, 2020 and 2019, respectively (see Note 17).

The carrying amounts of financial assets at amortized cost are as follows:

	Note	2021	2020
Cash in banks	4	<b>₱20,912,209</b>	₱17,035,263
Trade and other receivables (excluding advances to officers and employees)	5	<b>332,180,707</b>	301,966,987
Contract assets	15	<b>1,370,685</b>	1,370,685
Due from related parties	12	<b>211,230,811</b>	167,000,555
Security deposits (recorded as part of "Other noncurrent assets")	6	<b>1,058,618</b>	1,053,818

*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 2021, 2020 and 2019. Inventories at cost amounted to ₱7.1 million and ₱4.8 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

Depreciation and amortization aggregated ₱9.6 million, ₱9.7 million and ₱11.2 million in 2021, 2020 and 2019, respectively. The carrying amounts of property and equipment, ROU assets and computer software aggregated ₱20.3 million and ₱15.0 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

The carrying amounts of the nonfinancial assets are as follows:

	Note	2021	2020
Other current assets (excluding inventories)	6	<b>₱28,692,800</b>	₱26,600,678
Property and equipment	8	<b>10,693,867</b>	5,339,068
ROU assets	14	<b>5,893,024</b>	7,327,432
Other noncurrent assets (excluding security deposits)	6	<b>3,919,390</b>	2,470,321

*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 ₱1.1 million, ₱1.0 million and ₱0.6 million in 2021, 2020 and 2019, respectively. The retirement liability amounted to ₱5.0 million and ₱3.9 million as at December 31, 2021 and 2020, 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 ₱11.6 million and ₱13.4 million as at December 31, 2021 and 2020, 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.

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#### 4. Cash

This account consists of:

	<b>2021</b>	2020
Cash on hand	<b>₱102,342</b>	₱235,118
Cash in banks	<b>20,912,209</b>	17,035,263
	<b>₱21,014,551</b>	₱17,270,381

Cash in banks earn interest at prevailing bank deposit rates.

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

	Note	<b>2021</b>	2020	2019
Cash in banks		<b>₱30,631</b>	₱37,243	₱54,793
Due from related parties	12	<b>7,092,276</b>	7,094,489	7,092,270
		<b>₱7,122,907</b>	₱7,131,732	₱7,147,063

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#### 5. Trade and Other Receivables

This account consists of:

	Note	<b>2021</b>	2020
Trade:			
Related parties	12	<b>₱285,717,985</b>	₱237,281,782
Third parties		<b>86,779,784</b>	104,773,817
Advances to officers and employees		<b>4,844,746</b>	3,851,411
		<b>377,342,515</b>	345,907,010
Less allowance for impairment loss		<b>40,317,062</b>	40,088,612
		<b>₱337,025,453</b>	₱305,818,398

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	2021	2020
Balance at beginning of year		<b>₱40,088,612</b>	₱34,331,100
Provision	17	<b>228,450</b>	5,757,512
Balance at end of year		<b>₱40,317,062</b>	₱40,088,612

## 6. Other Assets

### Other Current Assets

This account consists of:

	2021	2020
CWT	<b>₱19,021,976</b>	₱16,920,787
Inventories – at cost	<b>7,079,279</b>	4,835,437
Prepayments	<b>6,647,485</b>	7,529,134
Input VAT	<b>1,602,267</b>	262,074
Deferred input VAT	<b>553,616</b>	1,021,227
Others	<b>867,456</b>	867,456
	<b>₱35,772,079</b>	₱31,436,115

In 2020, as disclosed in Note 11, the Parent Company's BOD approved the issuance of the redeemable, convertible, non-participating and non-voting Peso-denominated preferred shares to VI. Accordingly, the deferred transaction costs aggregating ₱14.6 million (previously classified as prepayments) incurred in the planned offering of the shares were recognized as follows: (a) ₱11.4 million as a deduction to APIC (see Note 11), 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 lower of cost and NRV. Cost of inventories charged to cost of sales and services amounted to ₱3.8 million, ₱2.0 million and ₱3.5 million in 2021, 2020 and 2019, respectively.

### Other Noncurrent Assets

This account consists of:

	Note	2021	2020
Computer software		<b>₱3,749,426</b>	₱2,305,886
Security deposits	14	<b>1,058,618</b>	1,053,818
Trademarks		<b>75,210</b>	75,210
Others		<b>94,754</b>	89,225
		<b>₱4,978,008</b>	₱3,524,139

Movements in the computer software are as follows:

	Note	2021	2020
<b>Cost</b>			
Balance at beginning of year		₱4,991,410	₱2,722,956
Additions		3,026,262	2,268,454
Balance at end of year		8,017,672	4,991,410
<b>Accumulated Amortization</b>			
Balance at beginning of year		2,685,524	1,647,175
Amortization	8	1,582,722	1,038,349
Balance at end of year		4,268,246	2,685,524
<b>Carrying Amount</b>		<b>₱3,749,426</b>	<b>₱2,305,886</b>

## 7. Investments and Advances

This account consists of the following:

	2021	2020
Investment in equity securities	₱1,595,958,904	₱1,581,369,376
Advances for investment	600,000,000	600,000,000
	<b>₱2,195,958,904</b>	<b>₱2,181,369,376</b>

The Group has the following investments:

	2021	2020
Investments in:		
Equity securities at FVOCI	₱1,595,958,904	₱1,581,369,376
Associate	6,000,000	6,000,000
Total	1,601,958,904	1,587,369,376
Less cumulative share in net losses of an associate	6,000,000	6,000,000
	<b>₱1,595,958,904</b>	<b>₱1,581,369,376</b>

### **Investments in Equity Securities at FVOCI**

The Parent Company has 2,656,580 shares equivalent to a cost of ₱1,289.3 million or 19% equity interest 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 14, 2020, NOW TEL's provisional authority to operate a mobile telecommunications system was extended until September 2023.

In 2020, the Parent Company made cash advances to NOW TEL amounting to ₱469.5 million for future investment. Existing advances for investment in NOW TEL amounted to ₱600.0 million as at December 31, 2021 and 2020.

On May 3, 2021, NOW TEL's BOD and stockholders approved to increase its authorized capital stock from 14,597,489 shares at ₱100 par value a share to 19,041,925 shares at ₱100 par value a share. Of the increase, 4,444,436 shares at 25% or 1,111,109 shares have been subscribed and fully paid for by subscribing shareholders. Moreover, on June 24, 2021, the Parent Company's stockholders approved to apply its advances for investments of ₱600.0 million against additional subscription of 1,000,000 shares of NOW TEL's increase at a conversion price of ₱600 a share. This will increase the Group's ownership in NOW TEL from 2,656,580 shares to 3,656,580 shares or from 19% to 24%. NOW TEL's increase was approved by the SEC on April 20, 2022

On June 6, 2019, the Parent Company's stockholders approved to increase its equity share in NOW TEL up 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 May 10, 2022, the details and other terms of the share swap are not yet finalized.

#### *Valuation Using Discounted Cash Flow Method*

The Parent Company's investment in NOW TEL was valued using the discounted cash flow (DCF) method under the income approach of determining fair value and measured at Level 3 (significant unobservable inputs). In doing the DCF method, 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.* The long-term growth rate of 1.87% in 2021 and 2020 used to extrapolate the future cash flows from the investment in NOW TEL excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the budget.
- c. *WACC.* The discount rate of 7.40% and 4.70% in 2021 and 2020, respectively, 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 treasury 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.

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

	2021	2020
Balance at beginning of year	₱292,091,026	₱248,438,012
Unrealized gain on fair value changes	14,589,528	43,653,014
Balance at end of year	₱306,680,554	₱292,091,026

#### *Legal Contingencies of NOW TEL*

NOW TEL is a party to certain lawsuits or claims which are still pending resolution as at May 10, 2022. NOW TEL's management believes that, based on information currently available and on the opinion of its legal counsel, the outcome of such lawsuits or claims will not have a material effect on the financial statements and on the prospective financial information or future cash flows of NOW TEL.

NOW TEL has a pending petition with the Supreme Court, contesting NTC's 2005 assessment of Supervision and Regulation Fees (SRF). The assessment included APIC arising from debt restructuring. As supported by existing rules and jurisprudence, the SRF should be computed based on capital stock subscribed or paid but not including APIC arising from debt restructuring. As at May 10, 2022, the petition is still pending decision by the Supreme Court.

#### **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, 2021 and 2020 is nil. The unrecognized cumulative share in net loss amounted to ₱7.1 million as at December 31, 2021 and 2020. 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, 2021 and 2020 (see Note 12).

## **8. Property and Equipment**

Movements in this account are as follows:

	2021				
	Transportation Equipment	Office and IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>					
Balance at beginning of year	₱20,520,008	₱36,040,160	₱1,502,081	₱4,937,446	₱62,999,695
Additions	8,376,253	1,899,031	99,944	-	10,375,228
Balance at end of year	28,896,261	37,939,191	1,602,025	4,937,446	73,374,923
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	17,832,370	33,558,644	1,332,167	4,937,446	57,660,627
Depreciation and amortization	2,450,968	2,547,836	21,625	-	5,020,429
Balance at end of year	20,283,338	36,106,480	1,353,792	4,937,446	62,681,056
<b>Carrying Amount</b>	₱8,612,923	₱1,832,711	₱248,233	₱-	₱10,693,867

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

Transportation equipment with carrying amount of ₱7.1 million and ₱0.1 million were held as collateral for the Parent Company's loans as at December 31, 2021 and 2020, respectively (see Note 10).

Cost of fully depreciated property and equipment that are still used in operations amounted to ₱42.2 million and ₱41.1 million as at December 31, 2021 and 2020, respectively.

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

	Note	2021	2020	2019
Property and equipment		<b>₱5,020,429</b>	₱6,155,804	₱8,055,898
ROU assets	14	<b>2,996,276</b>	2,464,369	2,652,290
Computer software	6	<b>1,582,722</b>	1,038,349	473,343
		<b>₱9,599,427</b>	₱9,658,522	₱11,181,531

## 9. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	2021	2020
Trade:			
Third parties		<b>₱22,640,578</b>	₱28,978,185
Related parties	12	<b>17,627,854</b>	14,026,542
Accrued expenses:			
Interest	12	<b>59,903,586</b>	59,903,586
Others		<b>29,903,573</b>	24,107,974
Deferred output VAT		<b>43,054,216</b>	39,219,740
Statutory payables		<b>3,213,201</b>	4,274,793
		<b>₱176,343,008</b>	₱170,510,820

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.

## 10. Short-term and Long-term Loans

### Short-term Loans

Short-term loans consist of:

	2021	2020
Land Bank of the Philippines (Land Bank)	P50,000,000	P50,000,000
Union Bank of the Philippines (UnionBank)	50,000,000	–
Third party	12,000,000	12,000,000
	<b>P112,000,000</b>	<b>P62,000,000</b>

#### *Land Bank Loan*

The Parent Company availed of an unsecured, short-term loans aggregating P50.0 million with Land Bank. The loans carry annual interest rates ranging from 6.50% in 2021, 6.50% to 9.75% in 2020 and 4.80% to 7.35% in 2019 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 P50.0 million with interest rate of 6.50% per annum and six (6) months term. The loan was subsequently renewed at the same interest rate for another six (6) months or until February 2022.

#### *UnionBank Loan*

The Parent Company availed of an unsecured, short-term loan amounting to P50.0 million with UnionBank. The loan carries an annual interest rate of 4.50% and will mature on September 30, 2022.

#### *Loans from a Third Party*

In 2019, the Parent Company availed of unsecured loans aggregating P14.0 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. The Parent Company paid P2.0 million in 2020. In 2021, the maturities of the loans amounting to P2.0 million and P10.0 million were further extended up to February 2022 and March 2022, respectively.

### Long-term Loans

Long-term loans consist of:

	2021	2020
Producers Savings Bank Corporation (PSBC)	P35,372,258	P51,400,055
Rizal Commercial Banking Corporation (RCBC)	6,277,447	–
BDO Unibank, Inc. (BDO)	–	122,585
Principal	41,649,705	51,522,640
Current portion	17,324,978	14,833,436
Noncurrent portion	<b>P24,324,727</b>	<b>P36,689,204</b>

*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.

*RCBC Loan*

In 2021, the Parent company availed of chattel mortgage loans aggregating ₱7,103,200 from RCBC for purchases of vehicles, which serves as the properties mortgaged. The loans have a term of five (5) years and bears interest rates ranging from 9.43% to 10.35% 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 loan was fully paid in 2021.

**Interest Expense**

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

	Note	2021	2020	2019
Interest expense on:				
Long-term loans		<b>₱4,951,490</b>	₱6,636,981	₱6,044,443
Short-term loans		<b>4,792,639</b>	4,480,348	4,190,476
Lease liabilities	14	<b>339,759</b>	353,951	399,442
		<b>₱10,083,888</b>	₱11,471,280	₱10,634,361

**11. Capital Stock and Additional Paid-in Capital**

**Common Stock**

Movements in common stock are presented below:

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b> - ₱0.70 par value						
Balance at beginning 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
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	₱1,442,000,000
<b>Issued and outstanding</b>						
Balance at beginning 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
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	1,806,726,314	₱1,264,708,420	1,672,572,468	₱1,170,800,728

*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 approved by the Parent Company's stockholders on June 24, 2021. As at May 10, 2022, the conversion of advances has not yet been filed with the SEC (see Note 12).

On August 24, 2020, the Parent Company's BOD approved the subscription of VI to 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.

On July 1, 2021, the Parent Company's BOD approved another set of conversion of advances from VI amounting to ₱221.0 million into equity at a conversion price of ₱2.38 a share. This is subject to approval by the Parent Company's stockholders and not yet filed with the SEC as at May 10, 2022 (see Note 12).

#### *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. On June 24, 2021, the Parent Company's stockholders unanimously ratified the approval of the BOD. As at May 10, 2022, the application for the planned increase has not yet been filed with the SEC.

### **Preferred Stock**

Movements in preferred stock are presented below:

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b>						
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
<b>Issued and outstanding</b>						
Balance at beginning of year	60,000,000	₱60,000,000	–	₱–	–	₱–
Issuance	–	–	60,000,000	60,000,000	–	–
Balance at end of year	60,000,000	₱60,000,000	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	2021	2020	2019
Balance at beginning of year		<b>₱541,569,110</b>	₱208,372,079	₱–
Additional issuance		–	158,100,000	–
Debt to equity conversion		–	186,492,308	155,294,117
Stock issuance costs	6	–	(11,395,277)	–
Effect of decrease in par value		–	–	53,077,962
<b>Balance at end of year</b>		<b>₱541,569,110</b>	₱541,569,110	₱208,372,079

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

Date of Approval	Nature	Number of shares		Issue/Offer Price
		Authorized	Issued/Subscribed	
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		Outstanding Balances	
		2021	2020	2021	2020
<b>Trade and other receivables</b>					
<i>Stockholders</i>	Management fees	<b>₱240,000</b>	₱262,800	<b>₱4,682,492</b>	₱2,548,800
<i>Entities under common control</i>	Infrastructure build-up services	<b>80,000,000</b>	80,000,000	<b>280,928,618</b>	234,575,645
	Management fees	<b>9,000,000</b>	9,000,000	<b>106,875</b>	157,337
				<b>₱285,717,985</b>	₱237,281,782
<b>Due from related parties</b>					
<i>Stockholders</i>	Advances	<b>₱30,007,568</b>	₱980,802	<b>₱119,895,587</b>	₱89,888,019
	Interest	<b>7,092,276</b>	7,094,489	<b>22,257,624</b>	15,165,348
<i>Entities under common control</i>	Advances	<b>7,130,412</b>	32,412,953	<b>69,077,600</b>	61,947,188
				<b>₱211,230,811</b>	₱167,000,555
<b>Accounts payable and other current liabilities</b>					
<i>Stockholders</i>	Interest	<b>₱-</b>	₱-	<b>₱59,903,586</b>	₱59,903,586
<i>Entities under common control</i>	Outside services	<b>2,333,841</b>	2,995,164	<b>6,480,236</b>	6,737,474
	Advances	<b>3,858,550</b>	1,353,830	<b>11,147,618</b>	7,289,068
	VAS and other service agreements	<b>62,453,249</b>	57,467,964	<b>-</b>	-
				<b>₱77,531,440</b>	₱73,930,128
<b>Due to related parties</b>					
<i>Stockholders</i>	Advances	<b>₱34,300,624</b>	₱189,128,325	<b>₱6,511,867</b>	₱186,354,243
	Leases	<b>-</b>	-	<b>2,896,778</b>	2,896,778
<i>Entities under common control</i>	Advances	<b>-</b>	-	<b>339,606</b>	339,606
	Services	<b>-</b>	-	<b>605,212</b>	605,212
	Leases	<b>390,000</b>	390,000	<b>37,066</b>	6,504,066
				<b>₱10,390,529</b>	₱196,699,905

### Trade and Other Receivables

- a. *Infrastructure Build-up Services.* The Parent Company has 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 amounted to ₱80.0 million, ₱80.0 million and ₱90.0 million in 2021, 2020 and 2019, respectively.

- 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 2021, 2020 and 2019.

- 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. The contract was renewed for another five (5) years or from January 1, 2021 until December 31, 2025. Service revenue amounted to ₱1.2 million, ₱1.2 million and ₱0.2 million in 2021, 2020 and 2019, respectively.

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 2021, 2020, and 2019.

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, ₱0.3 million and ₱0.4 million in 2021, 2020 and 2019, respectively.

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.

#### **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 2021, 2020 and 2019 from the promissory note were 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, 2021 and 2020 (see Note 7).
- c. The Group has other advances to stockholders and related parties for working capital purposes. These are unsecured, noninterest-bearing and do not have definite repayment terms.

#### **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.

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

	2021	2020	2019
Bandwidth costs	<b>₱35,270,333</b>	₱31,638,411	₱22,822,290
Network connectivity fees	<b>19,607,500</b>	19,607,500	19,607,500
Cost of VAS and other service agreements	<b>7,575,416</b>	6,222,053	6,024,474
	<b>₱62,453,249</b>	₱57,467,964	₱48,454,264

- 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 provided by KPSC amounted to ₱2.3 million, ₱2.9 million and ₱2.8 million in 2021, 2020 and 2019, respectively (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, (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.

The Parent Company’s BOD and stockholders approved the conversion of advances from VI into equity in various years as presented below:

Year	Amount	Status of SEC Approval
2016	₱264,000,000	Approved on November 6, 2019
2019	209,000,000	Approved on March 16, 2020
2020	89,000,000	Not yet filed
2021	221,000,000	Not yet filed

Outstanding accrued interest amounting to ₱59.9 million in 2021 and 2020 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 2021, 2020 and 2019.

### **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 ₱12.1 million, ₱10.2 million and ₱14.1 million in 2021, 2020 and 2019, respectively,.

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 plan is yet to be 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.

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## **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:

	<b>2021</b>	2020	2019
Current service cost	<b>₱955,636</b>	₱925,746	₱520,319
Interest cost	<b>183,819</b>	115,890	72,088
	<b>₱1,139,455</b>	₱1,041,636	₱592,407



Movements in the retirement liability are as follows:

	2021	2020
Balance at beginning of year	P3,862,885	P1,568,097
Current service cost	955,636	925,746
Interest cost	183,819	115,890
Remeasurement loss	-	1,253,152
Balance at end of year	P5,002,340	P3,862,885

The cumulative remeasurement losses recognized in OCI amounted to P1.8 million as at December 31, 2021 and 2020.

The assumptions used in determining retirement expense are discount rates of 3.0% to 3.3% and salary increase rate of 3.0% for the years ended December 31, 2021 and 2020.

The sensitivity analysis based on reasonably possible changes in the assumptions as at December 31, 2021 is as follows:

	Change in Assumption	Effects on retirement liability
Discount rate	+1%	(P295,661)
	-1%	350,478
Salary increase rate	+1%	P342,723
	-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	P4,723,957
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 from 16 to 18 years and 17 to 19 years as at December 31, 2021 and 2020, respectively.

#### 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.

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	2021	2020
<b>Cost</b>			
Balance at beginning of year		<b>₱12,140,402</b>	₱7,693,337
Additions		<b>1,561,868</b>	4,750,754
Expired portion		–	(303,689)
Balance at beginning of year		<b>13,702,270</b>	12,140,402
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>4,812,970</b>	2,652,290
Amortization	8	<b>2,996,276</b>	2,464,369
Expired portion		–	(303,689)
Balance at end of year		<b>7,809,246</b>	4,812,970
<b>Carrying Amount</b>		<b>₱5,893,024</b>	₱7,327,432

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

	Note	2021	2020
Balance at beginning of year		<b>₱8,564,955</b>	₱6,052,935
Additions		<b>1,561,868</b>	4,750,754
Rental payments		<b>(2,726,141)</b>	(2,592,685)
Interest	10	<b>339,759</b>	353,951
Balance at end of year		<b>7,740,441</b>	8,564,955
Current portion		<b>3,696,096</b>	3,448,511
Noncurrent portion		<b>₱4,044,345</b>	₱5,116,444

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.

### **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 ₱4.5 million, ₱4.0 million and ₱3.3 million in 2021, 2020 and 2019, respectively. Security deposit amounted to ₱1.1 million as at December 31, 2021 and 2020 (see Note 6).

The amounts recognized in profit or loss are as follows:

	Note	2021	2020	2019
<b>Rent expense:</b>				
Cost of sales and services	16	<b>₱4,213,961</b>	₱3,747,797	₱3,066,114
Operating expenses	17	<b>290,704</b>	240,780	262,182
Amortization of ROU asset	8	<b>2,996,276</b>	2,464,369	2,652,290
Interest expense on lease liabilities	10	<b>339,759</b>	353,951	399,442
		<b>₱7,840,700</b>	₱6,806,897	₱6,380,028

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

	2021	2020
On demand	<b>₱744,944</b>	₱744,944
Within one year	<b>2,470,381</b>	3,031,641
After one year but not more than five years	<b>3,399,788</b>	5,085,299
	<b>₱6,615,113</b>	₱8,861,884

## 15. Revenue

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

	2021		
	Service fees	Sale of goods	Total
Management services	<b>₱89,240,000</b>	₱-	<b>₱89,240,000</b>
Broadband services	<b>85,000,638</b>	-	<b>85,000,638</b>
Manpower augmentation	<b>12,835,691</b>	-	<b>12,835,691</b>
Sale and/or installation of software licenses	-	<b>9,327,650</b>	<b>9,327,650</b>
	<b>₱187,076,329</b>	<b>₱9,327,650</b>	<b>₱196,403,979</b>

	2020		
	Service fees	Sale of goods	Total
Management services	₱89,240,000	₱-	₱89,240,000
Broadband services	83,307,934	-	83,307,934
Manpower augmentation	18,110,625	-	18,110,625
Sale and/or installation of software licenses	-	11,064,865	11,064,865
	₱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
Manpower augmentation	30,772,312	-	30,772,312
Sale and/or installation of software licenses	-	4,038,959	4,038,959
	₱216,723,520	₱4,038,959	₱220,762,479

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

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.

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.

### **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, 2021 and 2020. No ECL was recognized on the contract assets in 2021, 2020 and 2019.

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

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### **16. Cost of Sales and Services**

This account consists of:

	Note	2021	2020	2019
Cost of VAS and other service agreements	12	<b>₱62,453,249</b>	₱57,467,964	₱48,454,264
Salaries and employee benefits		<b>34,529,791</b>	38,123,008	53,463,472
Cost of software licenses		<b>5,660,491</b>	3,451,069	2,848,808
Rent	14	<b>4,213,961</b>	3,747,797	3,066,114
Installation costs		<b>4,714,232</b>	2,947,512	5,306,588
Outside services	12	<b>1,192,147</b>	1,498,236	4,247,209
Others		<b>3,190,687</b>	1,867,719	2,648,672
		<b>₱115,954,558</b>	₱109,103,305	₱120,035,127

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### **17. Operating Expenses**

This account consists of:

	Note	2021	2020	2019
Salaries and employee benefits		<b>₱24,481,814</b>	₱24,608,855	₱29,457,560
Depreciation and amortization	8	<b>9,599,427</b>	9,658,522	11,181,531
Professional fees		<b>7,448,298</b>	9,142,611	5,854,120
Representation		<b>4,987,306</b>	4,902,756	7,571,792
Taxes and licenses		<b>4,597,940</b>	4,171,703	4,615,178
Transportation and travel		<b>3,360,888</b>	3,287,610	4,945,585
Advertising and promotion		<b>2,932,430</b>	6,367,009	5,124,036
Communication		<b>1,730,132</b>	2,591,950	2,928,313
Security services		<b>1,716,213</b>	1,837,396	1,521,070
Outside services	12	<b>1,141,694</b>	1,496,928	1,360,377
Office supplies		<b>744,845</b>	688,072	1,519,347
Utilities		<b>500,347</b>	46,122	801,024
Insurance		<b>328,692</b>	345,662	395,179
Repairs and maintenance		<b>294,695</b>	294,695	294,695
Rent	14	<b>290,704</b>	240,780	262,182
Provision for impairment loss on trade and other receivables	5	<b>228,450</b>	5,757,512	476,262
Others		<b>3,460,374</b>	2,010,052	3,222,267
		<b>₱67,844,249</b>	₱77,448,235	₱81,530,518

Others consist mainly of marketing and medical expenses.

## 18. Income Taxes

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

	2021	2020	2019
RCIT	P <b>3,342,261</b>	P6,076,899	P4,324,070
MCIT	1,991	-	64,156
Effect of change in tax rate	<b>(517,326)</b>	-	-
	<b>P2,826,926</b>	P6,076,899	P4,388,226

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

	2021	2020	2019
Allowance for impairment loss on trade and other receivables	P <b>10,011,760</b>	P12,016,348	P10,289,094
Retirement liability	<b>787,035</b>	628,155	315,665
NOLCO	<b>556,898</b>	482,524	-
Advanced collections received from customers	<b>152,485</b>	151,393	60,490
Effect of PFRS 16	<b>69,447</b>	58,056	146,966
Excess of MCIT over RCIT	<b>28,564</b>	84,287	84,287
	<b>P11,606,189</b>	P13,420,763	P10,896,502

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

Deferred tax liability of P634 as at December 31, 2020 pertains to unrealized foreign exchange gain of P2,114 as at December 31, 2020.

Details of unused NOLCO that can be claimed as deduction from future taxable income are as follows:

Year incurred	Balance at beginning of year	Incurred	Expired	Balance at end of year	Valid until
2021	P-	P1,176,077	P-	P1,176,077	2026
2020	1,608,414	-	-	1,608,414	2025
	<b>P1,608,414</b>	<b>P1,176,077</b>	<b>P-</b>	<b>P2,784,491</b>	

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.

Details of excess of MCIT over RCIT are as follows:

Year incurred	Balance at beginning of year	Incurred	Expired	Balance at end of year	Valid until
2021	₱-	₱1,991	₱-	₱1,991	2024
2019	26,573	-	-	26,573	2022
2018	57,714	-	(57,714)	-	2021
	<b>₱84,287</b>	<b>₱1,991</b>	<b>(₱57,714)</b>	<b>₱28,564</b>	

The reconciliation of the provision for 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:

	2021	2020	2019
Provision for income tax computed at the statutory income tax rate	<b>₱2,730,207</b>	₱3,225,418	₱4,711,867
Effect of change in tax rates	<b>1,858,699</b>	-	-
Change in unrecognized deferred tax assets	<b>(1,814,574)</b>	2,524,261	(478,411)
Tax effects of:			
Expired NOLCO and MCIT	<b>57,714</b>	-	(12,405)
Interest income already subjected to final tax	<b>(7,460)</b>	(11,791)	(16,438)
Nondeductible interest expense	<b>1,862</b>	4,710	6,562
Nondeductible expenses	<b>(156)</b>	331,769	180,217
	<b>₱2,826,292</b>	<b>₱6,074,367</b>	<b>₱4,391,392</b>

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE" Act) was signed into law by the country's President. Under the CREATE Act, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of 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 retrospectively became effective beginning July 1, 2020. For financial reporting, the impact of the change in 2020 was accounted for in 2021.

Accordingly, the income tax rates used in preparing the consolidated financial statements as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
RCIT	<b>25% and 20%</b>	30%
MCIT	<b>1%</b>	2%

## 19. Basic/Diluted EPS

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

	2021	2020	2019
Net income shown in the consolidated statements of income (a)	<b>₱8,243,308</b>	₱5,078,029	₱10,875,888
Weighted average number of common shares (b)	<b>1,806,726,314</b>	1,710,150,246	1,543,160,703
Effect of dilution from conversion options and warrants	<b>60,000,000</b>	69,400,300	–
Weighted average number of common shares adjusted for the effect of dilution (c)	<b>1,866,726,314</b>	1,779,550,546	1,543,160,703
Basic earnings per share (a/b)	<b>₱0.0046</b>	₱0.0030	₱0.0070
Diluted earnings per share (a/c)	<b>₱0.0044</b>	₱0.0029	₱0.0070

## 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:

	2021					Total
	Neither Past Due nor Impaired		Past due but not impaired	Impaired		
	High Grade	Standard Grade				
Cash in banks	₱20,912,209	₱-	₱-	₱-	₱20,912,209	
Trade and other receivables*	-	332,180,707	-	40,317,062	372,497,769	
Due from related parties	211,230,811	-	-	-	211,230,811	
Security deposits	1,058,618	-	-	-	1,058,618	
	<b>₱233,201,638</b>	<b>₱332,180,707</b>	<b>₱-</b>	<b>₱40,317,062</b>	<b>₱605,699,407</b>	

\*Excluding advances to officers and employees amounting to ₱4.8 million.

	2020					Total
	Neither Past Due nor Impaired		Past due but not impaired	Impaired		
	High Grade	Standard Grade				
Cash in banks	₱17,035,263	₱-	₱-	₱-	₱17,035,263	
Trade and other receivables*	-	301,966,987	-	40,088,612	342,055,599	
Due from related parties	167,000,555	-	-	-	167,000,555	
Security deposits	1,053,818	-	-	-	1,053,818	
	<b>₱185,089,636</b>	<b>₱301,966,987</b>	<b>₱-</b>	<b>₱40,088,612</b>	<b>₱527,145,235</b>	

\*Excluding advances to officers and employees amounting to ₱3.9 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:

	2021				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
Accounts payable and other current liabilities*	₱59,903,586	₱70,172,005	₱-	₱-	₱130,075,591
Short-term and long-term loans**	-	67,986,881	66,786,904	26,125,534	160,899,319
Due to related parties	10,390,529	-	-	-	10,390,529
Lease liabilities	744,944	696,759	1,773,622	3,399,788	6,615,113
	<b>₱71,039,059</b>	<b>₱138,855,645</b>	<b>₱68,560,526</b>	<b>₱29,525,322</b>	<b>₱307,980,552</b>

\*Excluding deferred output VAT and statutory payables aggregating ₱46.3 million.

\*\*Including future interest payments.

	2020				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
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
	<b>₱257,348,435</b>	<b>₱71,182,729</b>	<b>₱78,053,766</b>	<b>₱41,094,346</b>	<b>₱447,679,276</b>

\*Excluding deferred output VAT and statutory payables aggregating ₱43.5 million.

\*\*Including future interest payments.

	2019				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
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
	<b>₱97,219,661</b>	<b>₱110,793,762</b>	<b>₱68,863,675</b>	<b>₱61,969,307</b>	<b>₱338,846,405</b>

\*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 financial instruments are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	₱21,014,551	₱21,014,551	₱17,270,381	₱17,270,381
Trade and other receivables*	332,180,707	332,180,707	301,966,987	301,966,987
Contract assets	1,370,685	1,370,685	1,370,685	1,370,685
Due from related parties	211,230,811	211,230,811	167,000,555	167,000,555
Investment in equity securities	1,595,958,904	1,595,958,904	1,581,369,376	1,581,369,376
Security deposits	1,058,618	1,058,618	1,053,818	1,053,818
	<b>₱2,162,814,276</b>	<b>₱2,162,814,276</b>	<b>₱2,070,031,802</b>	<b>₱2,070,031,802</b>

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

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
Accounts payable and other current liabilities*	₱130,075,591	₱130,075,591	₱127,016,287	₱127,016,287
Short-term loans	112,000,000	112,000,000	62,000,000	62,000,000
Long-term loans	41,649,705	41,575,226	51,522,640	53,115,431
Due to related parties	10,390,529	10,390,529	196,699,905	196,699,905
Lease liabilities	7,740,441	7,740,441	8,564,955	8,564,955
	<b>₱301,856,266</b>	<b>₱301,781,787</b>	<b>₱445,803,787</b>	<b>₱447,396,578</b>

\*Excluding deferred output VAT and statutory payables aggregating ₱46.3 million and ₱43.5 million as at December 31, 2021 and 2020, 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 7.40% and 4.70% in 2021 and 2020, 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 4.50% to 10.79% in 2021 and 6.25% to 10.79% in 2020 (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 4.25% to 7.94% in 2021 and 2020 (Level 2).

There were no transfers between levels in the fair value hierarchy as at December 31, 2021, 2020 and 2019.

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## 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, 2021, 2020 and 2019, the Group was able to meet its capital management objectives. No changes were made in the objectives, policies or processes in 2021, 2020 and 2019.

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## 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.

### Segment Financial Information

The segment financial information is presented as follows:

	2021				
	Broadband and Management Services	Software Licenses	IT Manpower and Resource Augmentation	Eliminations	Consolidated
<b>REVENUE</b>	<b>₱174,240,638</b>	<b>₱9,327,650</b>	<b>₱12,944,291</b>	<b>(₱108,600)</b>	<b>₱196,403,979</b>
<b>COSTS AND OTHER OPERATING EXPENSES</b>					
Cost of services excluding depreciation and amortization	(98,756,386)	(7,322,642)	(8,683,383)	–	(114,762,411)
Depreciation and amortization	(9,135,047)	–	(464,380)	–	(9,599,427)
Operating expenses excluding depreciation and amortization	(55,048,821)	–	(4,496,748)	108,600	(59,436,969)
Interest expense	–	–	–	–	(10,083,888)
Other income	–	–	–	–	8,251,259
	<b>(162,940,254)</b>	<b>(7,322,642)</b>	<b>(13,644,511)</b>	<b>108,600</b>	<b>(185,631,436)</b>
<b>SEGMENT OPERATING PROFIT (LOSS)</b>	<b>₱11,300,384</b>	<b>₱2,005,008</b>	<b>(₱700,220)</b>	<b>₱–</b>	
Income before tax					10,772,543
Provision for income tax					(2,826,292)
Net income					<b>₱7,946,251</b>

	2021				
	Broadband and Management Services	Software Licenses	IT Manpower and Resource Augmentation	Eliminations	Consolidated
<b>ASSETS AND LIABILITIES</b>					
Segment assets	₱585,832,324	₱7,061,698	₱35,084,456	₱–	₱627,978,478
Unallocated asset – Investments and advances	–	–	–	–	2,195,958,904
Segment liabilities	632,454,379	13,853,501	16,818,143	–	663,126,023
<b>OTHER INFORMATION</b>					
Non-cash expenses (income) other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–

	2020				
	Broadband and Management Services	Software Licenses	IT Manpower and Resource Augmentation	Eliminations	Consolidated
<b>REVENUE</b>	<b>₱172,547,934</b>	<b>₱11,064,865</b>	<b>₱18,110,625</b>	<b>₱–</b>	<b>₱201,723,424</b>
<b>COSTS AND OTHER OPERATING EXPENSES</b>					
Cost of services excluding depreciation and amortization	(90,521,099)	(5,748,436)	(12,833,770)	–	(109,103,305)
Depreciation and amortization	(9,189,618)	–	(468,904)	–	(9,658,522)
Operating expenses excluding depreciation and amortization	(61,656,417)	–	(6,133,296)	–	(67,789,713)
Interest expense	–	–	–	–	(11,471,280)
Other income	–	–	–	–	7,050,788
	<b>(161,367,134)</b>	<b>(5,748,436)</b>	<b>(19,435,970)</b>	<b>–</b>	<b>(190,972,032)</b>
<b>SEGMENT OPERATING PROFIT (LOSS)</b>	<b>₱11,180,800</b>	<b>₱5,316,429</b>	<b>(₱1,325,345)</b>	<b>–</b>	
Income before tax					10,751,392
Provision for income tax					(6,074,367)
Net income					<b>₱4,677,025</b>

	2020				
	Broadband and Management Services	Software Licenses	IT Manpower and Resource Augmentation	Eliminations	Consolidated
<b>ASSETS AND LIABILITIES</b>					
Segment assets	₱500,377,614	₱7,061,698	₱31,647,462	₱-	₱539,086,774
Unallocated asset – Investments and advances	-	-	-	-	2,181,369,376
Segment liabilities	551,510,234	13,962,101	16,689,504	-	582,161,839
<b>OTHER INFORMATION</b>					
Non-cash expenses (income) other than depreciation and amortization	₱-	₱-	₱-	₱-	₱-

	2019				
	Broadband and Management Services	Software Licenses	IT Manpower and Resource Augmentation	Eliminations	Consolidated
<b>REVENUE</b>	₱185,951,208	₱4,038,959	₱32,204,614	(₱1,432,302)	₱220,762,479
<b>COSTS AND OTHER OPERATING EXPENSES</b>					
Cost of services excluding depreciation and amortization	(97,875,582)	(3,342,408)	(20,249,439)	1,432,302	(120,035,127)
Depreciation and amortization	(10,725,173)	-	(456,358)	-	(11,181,531)
Operating expenses excluding depreciation and amortization	(60,907,262)	(335,264)	(9,106,461)	-	(70,348,987)
Interest expense	-	-	-	-	(10,634,361)
Other income	-	-	-	-	7,143,749
	(169,508,017)	(3,677,672)	(29,812,258)	1,432,302	(205,056,257)
<b>SEGMENT OPERATING PROFIT (LOSS)</b>	₱16,443,191	₱361,287	₱2,392,356	₱-	

	2019				
	Broadband and Management Services	Software Licenses	IT Manpower and Resource Augmentation	Eliminations	Consolidated
Income before tax					₱15,706,222
Provision for income tax					(4,391,392)
Net income					₱11,314,830
<b>ASSETS AND LIABILITIES</b>					
Segment assets	₱604,910,320	₱7,062,297	₱27,076,489	₱-	₱639,049,106
Unallocated asset - Investment in equity securities	-	-	-	-	1,537,716,362
Segment liabilities	545,802,194	12,722,890	14,144,239	-	572,669,323
<b>OTHER INFORMATION</b>					
Non-cash expenses (income) other than depreciation and amortization	₱-	₱-	₱-	₱-	₱-

## 24. Notes to Consolidated Statements of Cash Flows

The reconciliation of the Group's liabilities arising from financing activities is presented below:

	Cash Flows			Non-cash Flows			December 31, 2021
	January 1, 2021	Availments/ Additions	Payments	Additions	Interest Expense	Reclassification to Deposit for Stock Subscription	
Due to related parties	₱196,699,905	₱34,690,624	₱-	₱-	₱-	(₱221,000,000)	₱10,390,529
Short-term and long-term loans	113,522,640	57,103,200	(26,720,264)	-	9,744,129	-	153,649,705
Lease liabilities	8,564,955	-	(2,726,141)	1,561,868	339,759	-	7,740,441
	₱318,787,500	₱93,355,692	(₱29,446,405)	₱1,561,868	₱10,083,888	(₱221,000,000)	₱171,780,675

	Cash Flows			Non-cash Flows			December 31, 2020
	January 1, 2020	Availments/ Additions	Payments	Additions	Interest Expense	Reclassification to Deposit for Stock Subscription	
Due to related parties	₱96,636,717	₱189,063,188	₱-	₱-	₱-	(₱89,000,000)	₱196,699,905
Short-term and long-term loans	113,753,383	-	(11,348,072)	-	11,117,329	-	113,522,640
Lease liabilities	6,052,935	-	(2,592,685)	4,750,754	353,951	-	8,564,955
	<b>₱216,443,035</b>	<b>₱189,063,188</b>	<b>(₱13,940,757)</b>	<b>₱4,750,754</b>	<b>₱11,471,280</b>	<b>(₱89,000,000)</b>	<b>₱318,787,500</b>

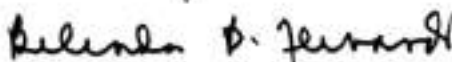
	Cash Flows			Non-cash Flows			December 31, 2019
	January 1, 2019	Availments/ Additions	Payments	Additions	Interest Expense	Reclassification to Deposit for Stock Subscription	
Due to related parties	₱265,667,135	₱39,969,582	₱-	₱-	₱-	(₱209,000,000)	₱96,636,717
Short-term and long-term loans	97,943,507	14,000,000	(8,425,043)	-	10,234,919	-	113,753,383
Lease liabilities	5,141,364	-	(1,889,844)	2,401,973	399,442	-	6,052,935
	<b>₱368,752,006</b>	<b>₱53,969,582</b>	<b>(₱10,314,887)</b>	<b>₱2,401,973</b>	<b>₱10,634,361</b>	<b>(₱209,000,000)</b>	<b>₱216,443,035</b>

**INDEPENDENT AUDITORS REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
NOW Corporation and Subsidiaries  
Unit 5-1, 5th Floor, OPL Building  
100 C. Palanca St., Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of NOW Corporation and Subsidiaries (the Group) as at and for the years ended December 31, 2021 and 2020 included in this Form 17-A and have issued our report thereon dated May 10, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedules on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2021 and 2020 and no material exceptions were noted.

**REYES TACANDONG & Co.**



**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

May 10, 2022

Makati City, Metro Manila

**NOW CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT DECEMBER 31, 2021 and 2020**

Ratio	Formula	2021	2020
Current Ratio	Total current assets	<b>₱606,413,579</b>	₱522,896,134
	Divided by: Total current liabilities	<b>319,754,611</b>	447,492,672
	Current Ratio	<b>1.90</b>	1.17
Acid Test Ratio	Total current assets	<b>₱606,413,579</b>	₱522,896,134
	Less: Contract assets	<b>1,370,685</b>	1,370,685
	Other current assets	<b>35,772,079</b>	31,436,115
	Quick assets	<b>569,270,815</b>	490,089,334
	Divide by: Total current liabilities	<b>319,754,611</b>	447,492,672
	Acid Test Ratio	<b>1.78</b>	1.10
Solvency Ratio	Net income after depreciation and amortization	<b>₱7,946,251</b>	₱4,677,025
	Add: Depreciation and amortization	<b>9,599,427</b>	9,658,522
	Net income before depreciation and amortization	<b>17,545,678</b>	14,335,547
	Divided by: Total liabilities	<b>663,126,023</b>	582,161,839
	Solvency Ratio	<b>0.03</b>	0.02
Debt-to-Equity Ratio	Total liabilities	<b>₱663,126,023</b>	₱582,161,839
	Divided by: Total equity	<b>2,160,811,359</b>	2,138,294,310
	Debt-to-Equity Ratio	<b>0.31</b>	0.27
Asset-to-Equity Ratio	Total assets	<b>₱2,823,937,382</b>	₱2,720,456,149
	Divided by: Total equity	<b>2,160,811,359</b>	2,138,294,310
	Asset-to-Equity Ratio	<b>1.31</b>	1.27
Interest Rate Coverage Ratio	Pretax income before interest	<b>₱20,856,431</b>	₱22,222,672
	Divided by: Interest expense	<b>10,083,888</b>	11,471,280
	Interest Rate Coverage Ratio	<b>2.07</b>	1.94
Return on Equity	Net income	<b>₱7,946,251</b>	₱4,677,025
	Divided by: Total equity	<b>2,160,811,359</b>	2,138,294,310
	Return on Equity	<b>0.004</b>	0.002

(Forward)



<b>Ratio</b>	<b>Formula</b>	<b>2021</b>	<b>2020</b>
Return on Assets	Net income	<b>₱7,946,251</b>	₱4,677,025
	Divided by: Average total assets	<b>2,772,196,766</b>	2,448,610,808
	Return on Assets	<b>0.003</b>	0.002
Net Profit Margin	Net income	<b>₱7,946,251</b>	₱4,677,025
	Divided by: Revenue	<b>196,403,979</b>	201,723,424
	Net Profit Margin	<b>0.04</b>	0.02

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

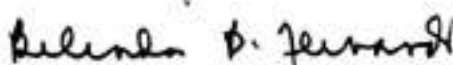
The Stockholders and the Board of Directors  
NOW Corporation and Subsidiaries  
Unit 5-1, 5th Floor, OPL Building  
100 C. Palanca St., Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of NOW Corporation and Subsidiaries (the Group) as at and for the years ended December 31, 2021 and 2020 included in this Form 17-A and have issued our report thereon dated May 10, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2021 and 2020 are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration of the Parent Company
- Schedules required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Conglomerate Map

These schedules are presented for purposes of complying with the Revised SRC Rule 68 and are not part of the consolidated financial statements. These information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**



BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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PTR No. 8851706

Issued January 3, 2022, Makati City

May 10, 2022

Makati City, Metro Manila

**NOW CORPORATION AND SUBSIDIARIES**  
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF**  
**REVISED SRC RULE 68**  
**DECEMBER 31, 2021**

**Table of Contents**

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>2</u>
D	Long-Term Debt	<u>3</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>4</u>

*B, E & F - None to report.*

**NOW CORPORATION AND SUBSIDIARIES**

**SCHEDULE A – FINANCIAL ASSETS**

**DECEMBER 31, 2021**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares</b>	<b>Amount shown in the balance sheet</b>	<b>Valued based on market quotation at end of reporting period</b>	<b>Income received or accrued</b>
NOW Telecom Company, Inc.	2,656,580	₱1,595,958,904	₱1,595,958,904	₱–

**NOW CORPORATION AND SUBSIDIARIES**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION  
OF FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

	Balance at beginning of year	Additions	Deductions		Balance at end of year		Balance at end of year
			Collections	Write off	Current	Noncurrent	
Softrigger Interactive, Inc.	P2,452,800	P-	P-	P-	P-	P2,452,800	P2,452,800
I-Professional Search Network, Inc.	9,939,932	2,535,202	-	-	12,475,134	-	12,475,134
I-Resource Consulting International, Inc.	5,303,682	495,894	-	-	5,799,576	-	5,799,576
	<b>P17,696,414</b>	<b>P3,031,096</b>	<b>P-</b>	<b>P-</b>	<b>P18,274,710</b>	<b>P2,452,800</b>	<b>P20,727,510</b>

**NOW CORPORATION AND SUBSIDIARIES**

**SCHEDULE D – LONG-TERM DEBT**

DECEMBER 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Carrying amount	Amount shown under caption "Long-Term Debt" in related statement of financial position		
				Interest Rate(s)	Payment Terms	Maturity Dates
Producer's Bank Loan Contract	₱50,000,000	₱14,710,850	₱51,400,054	8%	60 monthly payments	31-Oct-23
						₱1,506,400 – 22-Dec-25
						1,598,400 – 15-Jan-26
RCBC Loan Contract	7,103,200	17,324,978	42,649,705	9.43% to 10.35%	60 monthly payments	1,764,000 – 20-Jan-26
	₱57,103,200	₱32,035,828	₱94,049,759			2,400,000 – 18-Feb-26

**NOW CORPORATION AND SUBSIDIARIES**

**SCHEDULE G – CAPITAL STOCK**

**DECEMBER 31, 2021**

<u>Title of issue</u>	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Public
Common stock	2,060,000,000	1,806,726,314	–	1,457,156,330	29	349,569,955
Preferred stock	60,000,000	60,000,000	–	60,000,000	–	–

**NOW CORPORATION AND SUBSIDIARIES**

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

**DECEMBER 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	8,787,436
Total unappropriated retained earnings available for dividend declaration at end of year	₱24,318,005

*Reconciliation:*

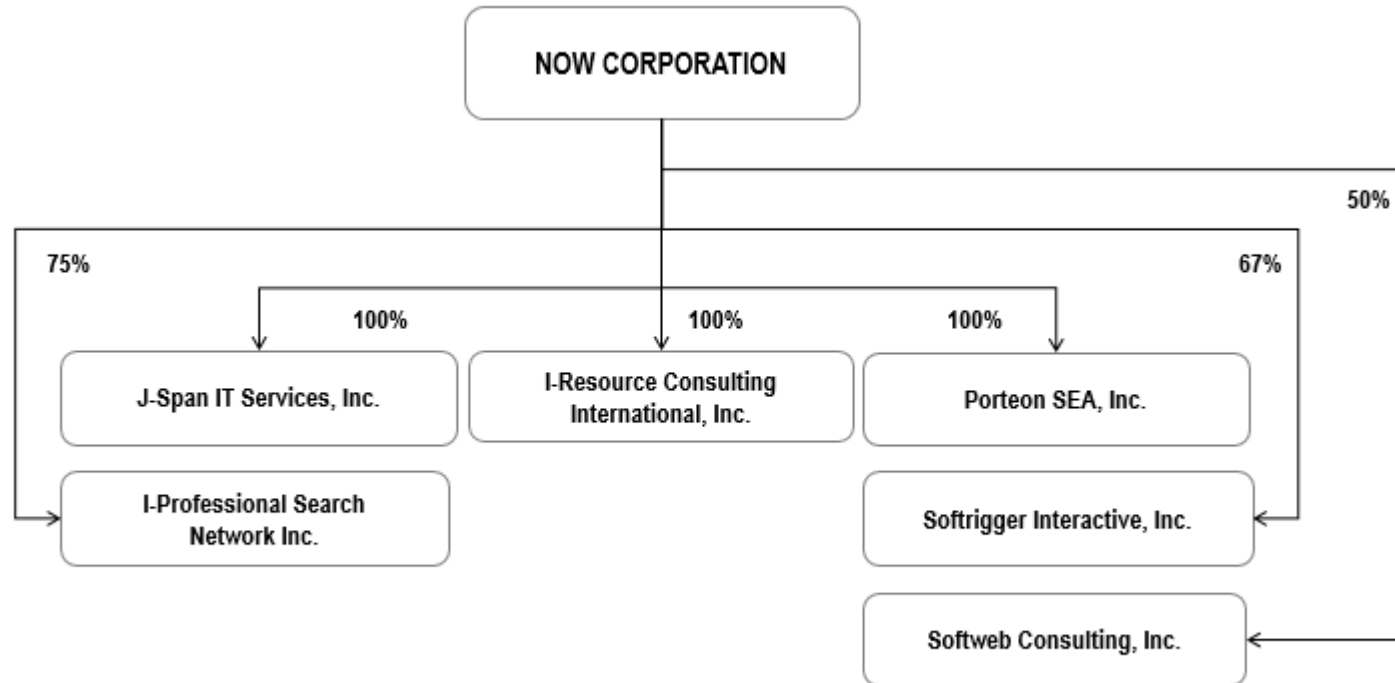
Unappropriated retained earnings as shown in the financial statements at end of year	₱24,318,005
Total unappropriated retained earnings available for dividend declaration at end of year	₱24,318,005



**NOW CORPORATION AND SUBSIDIARIES**

**CONGLOMERATE MAP**

**DECEMBER 31, 2021**



REPUBLIC OF THE PHILIPPINES)  
Makati City ) S. S.

**SECRETARY'S CERTIFICATE**

I, **ANGELINE L. MACASAET**, Filipino, of legal age, with office address at Unit 5-1, 5<sup>th</sup> Floor OPL Building, 100 C. Palanca Street, Legaspi Village, Makati City, after having been duly sworn in accordance with law, do hereby state that:

1. I am the incumbent Corporate Secretary of NOW Corporation, a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal address at Unit 5-1, 5<sup>th</sup> Floor OPL Building, 100 C. Palanca Street, Legaspi Village, Makati City (the "Corporation");

2. I am also a Director and the Secretary of the Executive Committee, the body authorized by the Board of Directors of the Corporation to handle the normal and customary operations of the Corporation;

3. I hereby certify that at the 23 April 2022 meeting of the Executive Committee (ExeCom) conducted online via Zoom application, in which meeting a quorum was present, the following resolutions were unanimously adopted:

**"RESOLVED FURTHER**, as it is hereby resolved, that the Chairman of the Board, the President and the Chief Finance Officer be authorized to sign the Statement of Management Responsibility in connection with the Company's Audited Consolidated Financial Statements and the Audited Parent Company Financial Statements for the periods ending 31 December 2021, as audited by its external auditor Reyes Tacandong & Co."

4. I further certify that the foregoing resolutions have not been revoked, superseded, amended, and that these continue to be in force and effect as of this date.


5. This Certification is issued for whatever legal purpose it may serve.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 27<sup>th</sup> day of April 2022 in Makati City, Philippines.

  
**ANGELINE L. MACASAET**  
Corporate Secretary

**SUBSCRIBED AND SWORN TO** before me this 27<sup>th</sup> of April 2022, affiant personally appeared and exhibited to me her Phil. Passport No. P3600193A issued by DFA – Manila on 06 July 2017 and valid until 05 July 2022, bearing the affiant's photograph and signature.

Doc. No.: 244;  
Page No.: 60;  
Book No.: 113;  
Series of 2022.

  
ATTY. RAYMOND A. RAMOS  
COMMISSION NO. M-239  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL JUNE 30, 2022 PER B.J. NO. 3795  
11 KALAYAAN AVENUE EXTENSION,  
BARANGAY WEST REMBO, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 171365/01-03-2022/Pasig City  
PTR NO. MKT 8852502/01-03-2022/Makati City  
MCLE Compliance No. VI-0007878/4-06-2018

## **ANNEX C: SUSTAINABILITY REPORT**

This Sustainability Report generally follows the guidelines set forth by the Sustainability Guidelines for Publicly-Listed Companies embodied in Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019.

### **General Disclosures**

#### **Organizational Profile**

NOW Corporation is an IT company primarily engaged in the business of providing telecommunications, media and information technology (TMT) products and services under its three key operating business segments, namely: (i) Software Licenses and Services; (ii) IT Manpower and Resource Augmentation; and (iii) Broadband and Wireless Cable TV Services. The Company's diverse products and services portfolio include software application development and maintenance, collaboration software solutions, web integration, web and mobile applications development, technical and maintenance services, IT manpower and resource augmentation, project implementation and management, managed services outsourcing, and fixed wireless broadband services, among others. The Company also offers value-added services through partnerships with companies licensed to provide wired and wireless, fixed and mobile communications and cable TV services. The Company has affiliates and subsidiaries but this report will solely focus on the operations of NOW.

The Company's principal address is located at:

Unit 5-I, 5<sup>th</sup> Floor OPL Building  
100 C. Palanca corner Dela Rosa and Gil Streets  
Legaspi Village Makati City, Philippines

#### **Ownership and Legal Form**

Originally incorporated on June 5, 1996 as MF Schroder & Co. Inc., the Company was initially engaged in the purchase and sale of securities. In 1998, the Company was renamed to MFS Markets, Inc. and thereafter to Cashrounds Inc. in 2002. The primary purpose of the Company then was to engage in the business of securities brokerage relating to the sale, transfer or exchange of every description of shares of stock and bonds, and to execute such transactions with the use of information technology. After a series of restructuring, which included venturing into diversified businesses by transitioning to telecommunications, media and information technology sector, the Company later on changed its corporate name to ICTV, as approved by the SEC on September 19, 2006. Afterwards, the Company added professional and manpower services in its portfolio through a subsequent amendment of its secondary purpose which the SEC approved on August 25, 2011. On August 16, 2013, the SEC approved the Company's change of name to its current corporate name, NOW Corporation. The Company has since grown into a telecommunications, media and information technology company, with an extensive portfolio of products and services.

#### **Markets Served**

NOW primarily serves the domestic market in the following industries: hospitality, banking, education, media and broadcasting, e-sports and gaming, business process outsourcing, manufacturing and real estate as well as various government entities.

Scale of the organization:

Direct economic value generated (revenue)	183,568,288
Direct economic value distributed:	
a. Operating costs	107,271,175
b. Employee wages and benefits	22,125,676
c. Payments to suppliers, other operating costs	31,502,548
d. Dividends given to stockholders and/or Interest payments to loan providers	10,041,856
e. Taxes given to government	11,909,018

Information on employees and other workers:

Number of Employees	
Male	Female
39	31

Supply chain:

NOW sources its electric power, electronic equipment, and internet bandwidth from various suppliers located in the Philippines, Japan, United Kingdom and China, all of which employ automated and mechanized processes and are not labor-intensive.

Significant changes to the organization and its supply chain:

There are no significant changes to the organization's size, structure, ownership and supply chain including the location of its operations, capital structure, location of and relationship with suppliers.

Membership in associations:

- Makati Business Club
- American Chamber of Commerce

### Strategy

NOW management believes that the company must operate in a manner that enables it to grow its present business without compromising the ability of the Company now and in the future to meet its own needs. By way of Sustainability Reporting, the Company can assess and manage its economic, environmental and social impacts which will benefit stakeholders having faith and confidence in the organization's ability to create value over time including employees, customers, suppliers, regulators, business partners and investors.

### Risk Management

The Board has formulated a risk management process focused on the need to properly identify, evaluate, treat and monitor risks that may potentially affect the achievement of business objectives. Established policies, both local and national, are being considered to reduce energy related greenhouse gas emissions.

### Metrics and Targets

As provider of access to broadband internet, the Company relies on base stations, switches and data

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centers to provide service to its customers which comprise a substantial part of the Company's total greenhouse gas emissions. Network operations have become a primary focus of carbon reduction efforts and the adoption of technology innovations.

## **2. Ethics and Integrity**

The Company endeavors to create an organizational culture that is guided by values centered on Integrity, Customer Focus, Innovation, Teamwork, Excellence and Social Responsibility.

NOW is committed to develop and maintain highly trained employees. As an "equal opportunity employer" NOW adheres to the policy and practice of providing equal opportunities for employment, development and advancement for those qualified, and offering job vacancies and opportunities to qualified existing personnel, without regard to sex, age and creed. Bound by the fundamental principles of decency and propriety, NOW employees should refrain from any behavior and relationships which border on or might be considered obscene, indecent or immoral. As much as possible, let a good, wholesome and clean atmosphere pervade the workplace.

### **Customers**

NOW shall at all time, seek to attain customer satisfaction and loyalty by delivering only quality products and services, stressing value and safety to the user while affirming the company's reliability. To enhance and maintain customer confidence, an NOW employee is expected to attend to customers in an ethical manner and with utmost competence, knowing that the customers are the reason for the company's existence.

### **Shareholders**

Being the very source of NOW's lifeblood, shareholders deserve no less than fair and full disclosure of information on the Company's worth and status.

### **Competitors**

NOW abides by the basic rules of free competition and fair play in promoting and marketing its products and services and avoids resorting to negative publicity and similar unfair practices aimed at securing undue advantage over its competitors.

### **Government**

Having in mind the nobility of the government and the integrity of its officials and employees, NOW shall not resort to offering or giving questionable payments, expensive gifts, bribes or other similar payments and gifts to public officials and personnel, with or without anticipation of favor, privilege or facilitation. It shall faithfully comply with pertinent and existing statutes, ordinances and regulations. NOW shall comply with applicable laws pertaining to donations for political purposes.

### **Community**

Being a responsible corporate citizen, NOW undertakes to share in the concerns of the communities where it operates. In conducting its business, it shall observe safe and environment-friendly practices. NOW shall comply with all applicable environmental and ecological statutes, ordinances and regulations.

### **Suppliers/Contractors**

NOW will only do business with suppliers or contractors who deliver quality materials and services, who safeguard the rights and welfare of its workers by providing wages and benefits that comply with government laws and regulations, and who do not engage in forced labor and the hiring of minors. NOW

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will only do business with suppliers/contractors who commit to contribute and abide with the company's programs on security, health, safety, environment and social responsibility. NOW will place an order for production, maintenance, or other services to a contractor with a written document that specifies all purchase conditions, and not engage in unfair treatment of contractors, including unjustified delay in payment, unjustified return, or unjustified discount to the agreed price. NOW shall not give/receive any gift or entertainment to/from a customer or business partner that is outside accepted social norms.

### **Governance**

The Company adopts a system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders; a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

### **Board of Directors**

The Board of Directors is the governing body elected by the stockholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties. High standard of best practice for the company is primordial therefore the Board conducts itself with utmost honesty and integrity in the discharge of its duties and responsibilities.

### **Board Committees**

The following committees are constituted, each directly reporting to the Board, with specific board functions to aid in the performance of its duties and responsibilities.

### **Audit and Risk Management Committee**

The Board has established an Audit and Risk Management Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall consist of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, shall be independent. All of the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit and Risk Management Committee is the Chairman of the Board or of any other committees. The committee shall have the following functions:

- a) Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;
  - b) Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;
  - c) Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services;
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- d) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit and Risk Management Committee;
  - e) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
  - f) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
  - g) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Integrated Annual Corporate Governance Report;
  - h) Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
    - h.1.) Any change/s in accounting policies and practices;
    - h.2.) Areas where a significant amount of judgment has been exercised
    - h.3.) Significant adjustments resulting from the audit
    - h.4.) Going concern assumptions
    - h.5.) Compliance with accounting standards
    - h.6.) Compliance with tax, legal and regulatory requirements
  - i.) Review the disposition of the recommendations in the External Auditor's management letter;
  - j) Perform oversight functions over the corporation's Internal and External Auditors to ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
  - k) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
  - l) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
  - m) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation;
  - n) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation;
  - o) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
  - p) Review the reports submitted by the internal and external auditors;
-

- q) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- r) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Management Committee.

Should the company become a subsidiary of a foreign corporation covered by the Revised Code of Corporate Governance, the internal auditor shall be independent of the Philippine operations and shall report to the regional corporate headquarters.

### **Corporate Governance Committee**

The Board has established a Corporate Governance Committee that is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It is composed of at least three (3) members, all of whom should be independent directors, including the Chairman.

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- a. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
- c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommend continuing education/training programs by directors, assignment of tasks/projects to Board committees, succession plan for the Board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Propose and plan relevant trainings for the members of the Board;
- g. Determine the nomination and election process for the company's directors and have the special duty of defining the general profile of Board members that the company may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates.

### **Board Risk Oversight Committee**

Subject to the Company's size, risk profile and complexity of operations, the Board shall establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's



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Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC should be composed of at least three (3) members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The BROC has the following duties and responsibilities, among others:

- a. Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advise the Board on its risk appetite levels and risk tolerance limits;
- e. Review at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

#### **Related Party Transaction Committee**

The Board has established a Related Party Transaction (RPT) Committee, which is tasked with reviewing all material related party transactions of the company and is composed of at least three (3) non-executive directors, two of whom should be independent, including the Chairman.

The following are the functions of the RPT Committee, among others:

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
-

b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. Management Committee

The BOD has created a Management Committee composed of not less than three (3) members of the BOD, including the Chairman thereof

### **Nominations and Election Committee**

The Nominations Committee pre-screens and shortlists all candidates nominated to the Board elections in accordance with the qualifications and disqualifications and submits the same to the Board for further review and approval.

### **Compensation and Remuneration Committee**

The Compensation and Remuneration Committee is responsible for developing and fixing executive remuneration packages of by-laws officers and directors, and provides oversight over remuneration of senior management and other key personnel to ensure that compensation is consistent with NOW's culture, strategy and internal control environment.

### **Conflicts of interest**

All employees are mandated to ensure that personal interests do not conflict with the interests of the Company. They are also mandated to declare under the penalty of perjury all existing business interests or shareholdings that may directly or indirectly conflict in the performance of their duties.

If actual or potential conflicts of interest arise, employees are encouraged to fully and immediately disclose it to the Company and are refrained from participating in the decision-making process involving or may involve such interest.

Review of economic, environmental, and social topics and communicating critical concerns:

NOW has Executive Committee meetings, Board of Directors' meetings, and meetings of committees where updates in company operations, financials, and relevant risks faced by the company are discussed.

Highest governance body's role in sustainability reporting:

The Sustainability Report is prepared by the management team and approved by the Board of Directors.

### **Reporting Practice**

Entities included in the consolidated financial statements NOW (Parent)  
i-Resource Consulting International, Inc. and i-Professional Search Network, Inc. (Subsidiaries)

Defining report content and topic Boundaries

This report covers the operations of NOW (Parent)

List of material topics Materiality Table

Protecting the Environment	Developing Employees	Helping Build Communities	Safeguarding Health & Safety	Contributing to Local and National Economies
<ul style="list-style-type: none"> <li>• Energy conservation</li> <li>• Waste generation, treatment &amp; disposal</li> <li>• GHG emissions</li> <li>• Biodiversity</li> <li>• Environmental advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Training &amp; Development</li> <li>• Employee Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Health &amp; Safety</li> <li>• Customer Service</li> <li>• Community Programs</li> <li>• Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Health &amp; Safety</li> <li>• Compliance to regulations</li> <li>• Customer product handling training</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Indirect economic impacts</li> <li>• Procurement practices</li> <li>• Business partners</li> <li>• Supplier assessment</li> <li>• Risk management</li> <li>• Integrity and anti-corruption</li> </ul>

Reporting period:

01 January to 31 December 2021

Date of most recent report:

This is the third Sustainability Report submitted by the Company.

Reporting cycle:

Annual

Contact point for questions regarding the report:

Angeline L. Macasaet  
 Corporate Secretary – Chief Legal Counsel - Acting Compliance Officer  
[angeline.macasaet@now-corp.com](mailto:angeline.macasaet@now-corp.com)

### **Procurement Practices**

The Company follows the standard procurement practices that promote transparency and equality among suppliers aimed to conduct business with its suppliers on an arm's length basis and under fair terms and conditions. Compliance with the established procurement policies is required for all officers and employees of the Company involved in the procurement process for materials and services.

#### **Supplier Accreditation and Evaluation**

NOW suppliers are expected to deliver the goods and/or services within the established requirements whereby a vendor accreditation process is developed to examine the suppliers' impact on the Company's operation. The Company selects its suppliers from those that have complied with all the regulatory requirements and are able to manifest financial ability to supply the needed goods and/or services.

Suppliers' performance is evaluated annually based on their ability to meet criteria focusing on the quality of the product delivered, timeliness of delivery and price competitiveness.

## Anti-Corruption

Operations assessed for risks related to corruption:

NOW has developed its Code of Conduct and Discipline and policies (as the need arises) all of which outline the ethical principles and core values that the Company adheres to and serves as a guide in relating with co-employees, customers, and all the Company's other stakeholders.

NOW requires its employees not to offer, pay, make, seek, accept or authorize a personal payment, gift, favor or any other advantage, whether directly or through any other person or entity, to or for the use or benefit of any public official or any political party, candidate or official or private individuals and entities, where such payment, gift, favor or advantage would violate laws and regulations of the Philippines or of countries on which it operates.

Through the Human Resources Department, all employees are required to execute a written confirmation of their understanding and acceptance of the Code.

Confirmed incidents of corruption and actions taken:

There was no incident of corruption, reported or investigated during 2021.

## Resource Management

### Energy Consumption

The water consumption within the organization for the reporting year ended 31 December 2021:

Energy consumption (electricity)	288,304	kWh
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The Company recognizes the importance of energy for the continuous delivery of its services that is why it strives to use energy responsibly and seeks for improved efficiencies through better technology and processes. Its energy consumption covers all the facilities in its area of operation.

### Affected Stakeholders

Employees, customers, suppliers and communities are affected by the Company's energy consumption.

### Management Approach

Reduce the global greenhouse gas emissions require energy conservation and resource consumption efficiency. Practical energy conservation initiatives such as changing of busted fluorescent lamps with LED lights; use of more energy efficient air conditioning units were initiated in 2019 that translated to substantial electricity saved.

### Identified Risk/s, Affected Stakeholders, and Management Approach

Some solutions to energy conservation may be costly; employees and shareholders may be affected by this risk.

The Company has designated the Operations Group to monitor and implement improvements to processes and mechanisms that would reduce and mitigate impact on the environment with primary focus on new technological solutions.

#### **Identified Opportunities, Benefited Stakeholders, and Management Approach**

Present is the opportunity to maximize the utility of digital solutions to promote less fuel-powered activities and more digital-enabled work interfaces which result in carbon avoidance scheme where employees, vendors, and suppliers stand to ultimately gain from.

#### **Water Consumption**

The water consumption within the organization for the reporting year ended December 31, 2021:

Water consumption	1,355	Cubic meters
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#### **Potential Impact and Company's Involvement in the Impact**

Responsible water consumption as part of resource efficiency is promoted by the Company in all aspects of its day to day operation. This is important because of the use of water for the comfort of employees in the workplace.

#### **Affected Stakeholders**

Employees and communities may be affected by water consumption impacts.

#### **Management Approach**

Given the nature of the Company's business, water usage is confined to the employees' personal use. The Company has initiated water conservation measures in order to minimize water consumption. Water consumption efficiency is monitored and measured for long term solutions.

#### **Identified Risk/s, Affected Stakeholders, and Management Approach**

Insufficient water supply affects the employees and communities therefore the Company actively supports the government's water conservation campaigns.

#### **Identified Opportunities, Benefited Stakeholders, and Management Approach**

Initiatives that ensure sufficient water consumption will benefit the Company's employees, customers, industry partners, communities, and government regulators. Management will look at organizations and programs that would promote water conservation and provide support for such.

#### **Materials Used**

The following table shows materials used within the organization for the reporting year ended 31 December 2021:

<b>Quantity</b>	
Materials used by weight of volume	
* Renewable	N/A
* non renewable	N/A
Percentage of recycled input materials used to manufacture the Company's primary products and services	N/A

### **Potential Impact and the Company's Involvement in the Impact**

The Company is not in the business of manufacturing goods, as such, this aspect is not material nor applicable for reporting. Any and all electronic equipment and gadgets offered to subscribers are instead sourced from vendors who are certified and compliant with global standards and regulations.

### **Affected Stakeholders**

Not applicable, see explanation above.

### **Our Management Approach**

Not applicable, see explanation above.

### **Identified Risk/s, Affected Stakeholders and our Management Approach**

Not applicable, see explanation above.

### **Identified Opportunities, Benefited Stakeholders, and our Management Approach**

Not applicable, see explanation above.

### **Ecosystem and Biodiversity**

The following table shows materials used within the organization for the reporting year ended 31 December 2021:

<b>Quantity</b>	
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None
Habitats protected and restored	None
IUCN Red list species and national conservation list species with habitats in areas affected by operations	None

### **Potential Impact, our Involvement in the Impact, Affected Stakeholders, and Management Approach**

None of the Company's infrastructures is established in protected areas and in coastal settlements that will affect community residents and the local government units.

### **Identified Risk/s, Affected Stakeholders, and Management Approach**

The Company observes the applicable construction, operational, and resource use permits/clearances from national and local government agencies prior to site establishment and operation.

## Identified Opportunities, Benefited Stakeholders, and our Management Approach

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The Company has started taking a collaborative approach to help create a more sustainable environment and help fight climate change by acting as carbon sinks.

### Environmental Impact Management

#### *Air Emissions*

#### GHG\*

	<b>Quantity</b>
<b>Direct (Scope 1) GHG Emissions</b>	
1. Fixed – Vehicles	<1,000 CO <sub>2</sub> e
2. Wireless – Vehicles	<1,000 CO <sub>2</sub> e
3. Fixed – Diesel Gensets	<1,000 CO <sub>2</sub> e
4. Wireless – Diesel Gensets	<1,000 CO <sub>2</sub> e
<b>Energy indirect (Scope 2) GHG Emissions</b>	
1. Fixed	<1,000 CO <sub>2</sub> e
2. Wireless	<1,000 CO <sub>2</sub> e
<b>Emissions of ozone depleting substances (ODS)</b>	<b>&lt;1,000 CO<sub>2</sub>e</b>

### Potential Impact, our Involvement in the Impact, and Affected Stakeholders

The Company's industry illustrates the important role that communications can play in reducing emissions in other sectors and industries. On the other hand, NOW's business operations require the use of gasoline and diesel fueled vehicle and equipment that contribute to emissions to the atmosphere which affect customers, employees, communities public, and government regulators.

#### Management Approach

The Company as provider of access to broadband internet has made plans to internet services even more accessible to a greater area than voice and text services that are offered by telecommunication companies.

### Identified Risk/s, Affected Stakeholders, and our Management Approach

We are undertaking efforts to make our growth, with our accompanying energy consumption and GHG emissions, sustainable. Increase in the atmospheric concentrations of GHG impacts global climate and is seen to produce a warming effect. If industries are not able to control their carbon footprint, more harmful climate events may affect operations and revenue. Our customers, employees, general public, and regulators are affected by these climate related risks.

Our GHG emissions arise from several sources which include energy consumed by our network in operation, emissions associated with the deployment of our network equipment, emissions associated with buildings we run, and emissions from fleet transport. We are focused on finding collaborative solutions to address this impact by ensuring that we use energy efficient networks and infrastructure support systems.

The Company is committed to undertake measures that will reduce energy consumption rate as well as the amount of greenhouse gases and other pollutants that are emitted as a result of its operations.

*Air Pollutants*

	<b>Quantity</b>
-	
Ox	< 1 kilo
SO <sub>x</sub>	< 1 kilo
	N/A
Persistent organic pollutants (POPs)	N/A
Volatile organic compounds (VOCs)	N/A
Hazardous air pollutants (HAPs)	N/A
Particulate matter (PM)	N/A

**Potential Impact, our Involvement in the Impact, and Affected Stakeholders**

The major source of air pollutants are the generator sets located in operational areas that emit smoke and produce noise particularly in offices, cellsites, and hubs.

**Management Approach**

The Company endeavors to implement operational standards that establish clean and energy efficient operations in all its facilities. The Operations Group regularly monitors the performance of facilities, equipment, and generator sets. Repair and/or replacement will be made of those that are identified to be performing lower than standards.

**Identified Risk/s, Affected Stakeholders, and our Management Approach**

Machinery, vehicles and equipment that cause pollution is a potential source to be penalized by government regulators. The Company therefore ensures that pollutants will not affect the communities where it operates.

**Identified Opportunities, Benefited Stakeholders, and Management Approach**

The operations Group is tasked to oversee facilities and network operations and is likewise mandated to propose measures for energy reduction.

*Solid and Hazardous Wastes*

*Solid Waste*

	<b>Quantity</b>
Total solid waste generated	
1. Fixed	<1 metric ton
2. Wireless	<1 metric ton
Reusable	N/A
Recyclable	N/A



Metal			
1.	Fixed	< 1 metric ton	31
2.	Wireless	<1metric ton	
Paper			
1.	Fixed	<100 kilos	
2.	Wireless	<100 kilos	
Plastic			
1.	Fixed	<1 metric ton	
2.	Wireless	< 1 metric ton	
Composted			N/A
Incinerated			N/A
Residuals/Landfilled			N/A

### Potential Impact, our Involvement in the Impact, and Affected Stakeholders

Various consumables and supplies used in the offices and facilities comprise a portion of materials utilized by the Company. In addition, the Company produces outdoor advertising materials and marketing collaterals, which create solid waste.

Solid wastes may affect employees, customers, and communities.

### Management Approach

The Company has initiated efforts to shift to ecofriendly solutions for a sustainable environment that includes use of ecofriendly materials in the production of outdoor advertising materials and investing in more practical materials to avoid wastage.

### Identified Risk/s, Affected Stakeholders, and Management Approach

Consumers are now conscious of protecting the environment call out companies that do not address the concern on waste management. Employees, customers, and communities may be affected.

By virtue of the Ecological Solid Waste Management Act of 2000, each local government unit is mandated to adopt a systematic, comprehensive and ecological solid waste management program under which the Company is subject to. The Company adheres to solid waste management schemes as provided by the local government units, in addition to its own environmental management plan.

### Identified Opportunities, Benefited Stakeholders, and our Management Approach

Waste management efforts have been made manageable by the strict monitoring by the Operations Group of the amount of solid waste produced by the Company. Transactions for office processes what will require less use of paper such as paperless billing and non-print advertisements will also be strongly encouraged.

*Hazardous Waste* -

	<b>Quantity</b>
<b>Total weight of hazardous waste generated*</b>	
Fixed ton	< 1 metric ton
Wireless	< 1 metric ton

ton		
Total weight of hazardous waste transported*		32
Fixed ton	<1	metric
Wireless ton	<1	metric

### **Potential Impact, our Involvement in the Impact, and Affected Stakeholders**

Waste materials have an impact long after their utilization has ended as most of them end up being hazardous wastes that need to be handled properly for the safety and health of the employees and the community.

The health of the employees and members of the communities may be affected.

### **Management Approach**

Environmental compliance guidelines are followed by the Company in the identification, segregation, and disposal of hazardous wastes.

### **Identified Risk/s, Affected Stakeholders, and our Management Approach**

The health and safety of the employees, the members of the community and the suppliers will be compromised by improper handling of hazardous wastes, not to mention exposure to sanction and penalty from government regulators.

The Company follows the policies and guidelines formulated by the national government, the local government units as well as its own environmental management plan in the proper disposal of hazardous waste.

### **Identified Opportunities, Benefited Stakeholders, and Management Approach**

Equipment, photocopying toner/ink, computers, laptops, mobile phones, and batteries are disposed of by getting a trade in value or recycled.

*Effluents* -

	<b>Quantity</b>
Total volume of water discharges	N/A
Percentage of wastewater recycled	N/A

### **Potential Impact and Company Involvement in the Impact**

There are no effluents that are generated by the Company's operations. As such, this is not applicable to the NOW Group's operations.

### **Affected Stakeholders**

Not applicable, see reason above.

### **Our Management Approach**

Not applicable, see reason above.

### **Identified Risk/s, Affected Stakeholders, and our Management Approach**

Not applicable, see reason above.

### **Identified Opportunities, Affected Stakeholders, and our Management Approach**

Not applicable, see reason above.

***Non-compliance with Environmental Laws and Regulations***

The following table shows the information on NOW's non-compliance with environmental laws and regulations:

	<b>Quantity</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Php 0.00
Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
Number of cases resolved through dispute resolution mechanism	0

**Potential Impact, our Involvement in the Impact, and Affected Stakeholders**

The Company strictly observes the implementation of policies that it has developed on pollution prevention and control, waste recycling and segregation, proper waste disposal, health and safety, and conservation of vital resources. It is very much aware that non-compliance thereof may negatively affect the environment and compromise the health and safety of the employees and the public.

**Management Approach**

The Company strictly implements the policies it has established in its environmental management plan and likewise monitors technology and environmental management practices nationally and globally, and continually improves its involvement in the protection of the environment.

**Identified Risk/s, Affected Stakeholders, and our Management Approach**

The Company hopes to create a synergy between protecting the environment and the business of providing exceptional service to its customers. The environmental policies that have been established serve as guide to attain this.

**Identified Opportunities, Affected Stakeholders, and Management Approach**

Protecting the environment and at the same time providing high quality to customers require dedication and focus. The Company is strongly committed to comply with environmental laws and regulations.

**Employment**

Benefits provided to full-time employees that are not provided to temporary or part-time employees

1. Medical Insurance (HMO) including dependents
2. Vacation Leaves
3. Sick Leaves
4. Maternity Benefit
5. Christmas Package
6. Retirement Benefit
7. Loyalty Awards
8. Company stock options (case to case basis)
9. Flexible working hours
10. Transportation Allowance / Shuttle Service

Parental leave:

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As stated in NOW Employee Handbook, any employee, who has been certified as a solo parent by the Department of Social Welfare and Development (DSWD), shall be entitled to avail of seven (7) working days parental leave in any given year subject to the allowable reasons stated in the company's policy on leaves under the Solo Parent Act.

### **Labor/Management Relations**

Minimum notice periods regarding operational changes

There are several communication channels in place to notify operational changes.

1. Through memos at least one-week prior to implementation.
2. For significant operational changes which created new rules and guidelines, 2 notices are given – the first is for the soft implementation and the second notice for full implementation after at least a month.
3. Operational changes are communicated through Department meetings, weekly production planning, monthly labor-management meetings through the Industrial Peace Council and Council of Solidarity, and monthly Safety Council meetings.
4. A quarterly publication, the Pipeline, also features information of significant operational changes.

### **Occupational Health and Safety**

Occupational health and safety management system:

The Company is committed to the prevention of work-related injuries and illnesses to workers and to provide safe and healthy workplaces. Accordingly, the Company takes effective preventive and protective measures to eliminate hazards and minimize Occupational Health and Safety (OH&S) risks.

Hazard identification, risk assessment, and incident investigation:

The Company has a documented procedure on Hazard Identification, Risk Assessment and Determining Controls, or HIRADC. Hazards due to interaction with people, work environment, machines/equipment, and materials are identified for the following: routine and non-routine activities, off-site activities done by people under the control of the Company, activities outside the plant premises but may affect the workplace, new or proposed/modified processes, and new activities that are part of corrections and/or corrective actions. The OH&S risks are then identified for each hazard and an assessment of the risks is performed. The hazard is significant if it is covered by legal or regulatory requirements and if incidents have occurred in the past with respect to the identified hazard.

Occupational health services:

The Company is compliant to the requirements mandated by Republic Act 11058 and the Occupational Safety and Health Standards by the Department of Labor and Employment (DOLE) with regard to the provision of competent and qualified Occupational Health (OH) personnel and facilities.

Employees' personal health-related information is private and subjected to strict confidentiality.

Worker participation, consultation, and communication on occupational health and safety:

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The Company ensures that appropriate communication, participation, and consultation processes are established on OH&S related matters. Workers are involved, consulted, and represented in the development and review of policies and procedures to manage OH&S issues.

Worker training on occupational health and safety:

The Company ensures that employees perform their jobs in the required manner. The Company ensures that persons performing work under its control are aware of the OH&S policies.

The Human Resource Department is responsible for establishing, maintaining, and continuously improving systems and procedures to identify training needs, develop training plans and courses, prepare for conduct of trainings, evaluate training effectiveness, and retain documented information on training.

Promotion of worker health:

The Company ensures that workers are protected against health hazards in the workplace and provided with access to adequate medical care and treatment.

Workers are required to undergo physical examinations prior to their employment and every year through the Annual Physical Examination (APE).

Medicines, medical supplies and first aid equipment are also provided in portable kits.

Periodic inspection of premises is conducted to ensure that the working environment is fit for all workers.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships:

The needs and expectations of the employees that are relevant to the OH&S management system, including those with access to the workplace and their activities, such as contractors, visitors and other persons are taken into consideration.

Workers covered by an occupational health and safety management system:

The scope of the OH&S management system involves the following:

- All NOW employees (including regular and probationary workers)
- In-house contractors or service providers for projects, maintenance, and other service activities
- Suppliers/vendors
- Student On-the-Job trainees
- Visitors (VIP, government inspectors, academe, etc.)
- Other identified interested parties

Work-related injuries:

The Company has not recorded any work-related injury during 2021.

Work-related ill health:

No work-related illnesses occurred for year 2021.

## **Training and Education**

Average hours of training per year per employee

A Training Plan is executed/implemented each year that ensures training for every employee at an average of 18 hours per year:

1. Safety, environment and health related training for 5 hrs.
2. Competency-based training for at least 5 hrs.
3. Continuing Education for Professionals for at least 8 hours
4. Refresher course skills training for rank and file for at least 5 hours

## **Diversity and Equal Opportunity**

The Company aspires for a work environment where respect for each other is present as reflected in the Company's policy against non-discrimination in hiring. Employees are not chosen on the basis of gender, age, religion or if they belong to a particular sector.

The Company support solo parents through the Solo Parent Leave Policy, which provides for an additional seven (7) day leave as defined in Republic Act 8972 or the Solo Parent Welfare Act.

### **Identified Risk/s and Management Approach**

No specific risks identified for this reporting year.

### **Identified Opportunities and Management Approach**

The Company is planning to undertake activities that will promote diversity and equal opportunity among employees.

## **Non-Discrimination**

Incidents of non-discrimination and corrective action taken during 2021:

None.

## **Freedom of Association and Collective Bargaining**

Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. There are no known operations and suppliers which prevented the employees to their right to freedom of association and collective bargaining.

## **Child Labor**

Operations and suppliers at significant risk for incidents of child labor:

NOW never had an incident of child labor. No individual below 18 years old was employed by the Company Should a minor be employed, the Company shall make sure that there will be no incidents of child labor starting from the recruitment and employment process and guidelines for work arrangement, work accommodation and continuing education are in place.

## **Forced or Compulsory Labor**

NOW ensures that there shall be no incidents of forced and compulsory labor by strict adherence and compliance to Labor Standards and Occupational Health and Safety Standards in all NOW worksites.

**Product or Service Contribution to UN SDGs**

Key products and services and its contribution to sustainable development

<b>Key Products and Services</b>	<b>Societal Value /Contribution to UN SDGs</b>	<b>Potential Negative Impact of Contribution</b>	<b>Management Approach to Negative Impact</b>
<p>Access to Broadband Internet</p>	<p>With a suite of multimedia services and solutions, NOW helps Filipino families stay connected and provide them easy access to information and quality entertainment anywhere, anytime.</p> <p>NOW provides solutions to both large enterprises and the SMEs across various industries.</p> <p>Delivering digital business solutions that are up to par with global standards help entities in different industries to harness the power of technology in achieving their objectives.</p>	<p>The Company’s key product and services consume high amount of energy resources for uninterrupted operations.</p> <p>Exposure to inappropriate content is a potential hazard for minors who have access to the Company’s key products and services. They can also be preyed upon by unscrupulous individuals.</p> <p>The digital era has produced the proliferation of cyber criminals that exploit any weakness in the networks and victimize the public.</p>	<p>NOW monitors potential environmental impacts, identify solutions to mitigate those impacts, and supports the drive to improve the physical networks for better energy efficiency.</p> <p>NOW keeps itself abreast with the latest cybersecurity technology and advocates customers to protect themselves from cyber criminals.</p>

# ANNEX D

Your BIR AFS eSubmission uploads were received

ictv\_651996@yah.../Inbox



**eafs@bir.gov.ph** <eafs@bir.gov.ph>

To: ictv\_651996@yahoo.com

Cc: fatima.salonga@ictv.ph

May 17 at 3:59 PM

Hi NOW CORP (FORMERLY INFO CAPITAL TECHNOLOGY VENTURES, INC),

## Valid files

- EAFS004668224TCRTY122021-02.pdf
- EAFS004668224ITRTY122021.pdf
- EAFS004668224AFSTY122021.pdf
- EAFS004668224TCRTY122021-01.pdf
- EAFS004668224TCRTY122021-03.pdf
- EAFS004668224RPTY122021.pdf
- EAFS004668224OTHTY122021.pdf

## Invalid file

- <None>

Transaction Code: **AFS-0-43SP2TS10BB9A96EDNQX4N34207KGBEBHS**

Submission Date/Time: **May 17, 2022 03:42 PM**

Company TIN: **004-668-224**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Management of Now Corporation (the Company) is responsible for the preparation and fair presentation of the separate financial statements, including the schedules attached therein, for the year ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the separate financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

[Signature of Mel V. Velarde]

MEL V. VELARDE
Chairman of the Board

[Signature of Henry Andrews B. Abes]

HENRY ANDREWS B. ABES
President/Chief Executive Officer

SUBSCRIBED AND SWORN TO
BEFORE ME THIS MAY 12 2022
AT THE OFFICE OF THE
NOTARY PUBLIC
WITH VALID ID. NO.

[Signature of Jozolly O. Ramos-Uy]

JOZOLLY O. RAMOS-UY
Acting Chief Finance Officer

ATTY. MA. PERLA P. CABRERA
Notarial Commission Extended Until
June 30, 2022 by Supreme Court
Resolution Under D.M. No. 3795
PTR No. 2290734; 01/03/22 - QC
ISP No. 175530; 01/03/22 - QC
MCLE VI Compliant as of Oct. 2021
[Awaiting Compliance Certificate]

Signed this 10th day of May

DOC. NO: 170
PAGE NO: 2/2
2022K NO: 1111
SERIES NO: 1012

(632) 7799 7700 (632) 7 750 0461 marcom@now-corp.com now-corp.com

NOW Corporation is a Philippine Stock Exchange (PSE) listed company
Unit 5-1, 5th Floor, OPL Building, 100 C. Palanca corner Dela Rosa and Gil Streets,
Legaspi Village, Makati City 1229 Philippines



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
NOW Corporation  
Unit 5-1, 5th Floor, OPL Building  
100 C. Palanca St., Legaspi Village  
Makati City

### *Opinion*

We have audited the accompanying separate financial statements of NOW Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2021, 2020 and 2019 and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements*

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

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

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

#### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-085-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

May 10, 2022

Makati City, Metro Manila

**NOW CORPORATION**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	₱20,180,457	₱16,136,378
Trade and other receivables	5	330,161,789	299,695,569
Contract assets	15	1,370,685	1,370,685
Due from related parties	12	223,821,052	177,251,456
Other current assets	6	23,398,605	20,580,031
Total Current Assets		598,932,588	515,034,119
<b>Noncurrent Assets</b>			
Investments and advances	7	2,211,093,035	2,196,503,507
Property and equipment	8	9,693,799	4,209,019
Right-of-use (ROU) assets	14	5,050,041	6,150,048
Other noncurrent assets	6	4,883,254	3,434,914
Total Noncurrent Assets		2,230,720,129	2,210,297,488
		<b>₱2,829,652,717</b>	<b>₱2,725,331,607</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	9	₱151,439,707	₱145,420,922
Due to related parties	12	8,680,445	195,006,621
Short-term loans	10	112,000,000	62,000,000
Current portion of long-term loans	10	17,324,978	14,833,436
Current portion of lease liabilities	14	2,285,887	2,410,542
Total Current Liabilities		291,731,017	419,671,521
<b>Noncurrent Liabilities</b>			
Deposits for stock subscription	11	310,000,000	89,000,000
Long-term loans - net of current portion	10	24,324,727	36,689,204
Lease liabilities - net of current portion	14	3,513,404	4,255,295
Retirement liability	13	4,124,188	3,132,537
Deferred tax liability	18	-	634
Total Noncurrent Liabilities		341,962,319	133,077,670
Total Liabilities		633,693,336	552,749,191
<b>Equity</b>			
Capital stock	11	1,324,708,420	1,324,708,420
Additional paid-in capital	11	541,569,110	541,569,110
Retained earnings	11	24,318,006	15,530,569
Other comprehensive income		305,363,845	290,774,317
Total Equity		2,195,959,381	2,172,582,416
		<b>₱2,829,652,717</b>	<b>₱2,725,331,607</b>

See accompanying Notes to Separate Financial Statements.

**NOW CORPORATION**  
**SEPARATE STATEMENTS OF INCOME**

	Note	Years Ended December 31		
		2021	2020	2019
<b>REVENUE</b>	15			
Service fees		<b>₱174,220,156</b>	₱172,546,590	₱185,951,208
Sales		<b>9,348,132</b>	11,066,209	4,038,959
		<b>183,568,288</b>	183,612,799	189,990,167
<b>COST OF SALES AND SERVICES</b>	16	<b>(107,271,175)</b>	(96,269,535)	(101,217,990)
<b>GROSS PROFIT</b>		<b>76,297,113</b>	87,343,264	88,772,177
<b>OPERATING EXPENSES</b>	17	<b>(62,991,721)</b>	(70,846,035)	(71,967,699)
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	10	<b>(10,041,856)</b>	(11,455,896)	(10,597,149)
Interest income	4	<b>7,122,071</b>	7,130,337	7,145,297
Net foreign exchange gain (loss)		<b>(208,773)</b>	(24,994)	10,552
Others		<b>1,337,125</b>	(55,950)	(13,866)
		<b>(1,791,433)</b>	(4,406,503)	(3,455,166)
<b>INCOME BEFORE INCOME TAX</b>		<b>11,513,959</b>	12,090,726	13,349,312
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	18			
Current		<b>2,727,156</b>	5,945,888	3,962,947
Deferred		<b>(634)</b>	(2,532)	3,166
		<b>2,726,522</b>	5,943,356	3,966,113
<b>NET INCOME</b>		<b>₱8,787,437</b>	₱6,147,370	₱9,383,199

*See accompanying Notes to Separate Financial Statements.*

**NOW CORPORATION**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31		
		2021	2020	2019
<b>NET INCOME</b>		<b>₱8,787,437</b>	₱6,147,370	₱9,383,199
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Changes in fair value of investment in equity securities	7	<b>14,589,528</b>	43,653,014	200,078,272
Remeasurement loss on retirement liability	13	–	(849,144)	–
		<b>14,589,528</b>	42,803,870	200,078,272
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱23,376,965</b>	₱48,951,240	₱209,461,471

*See accompanying Notes to Separate Financial Statements.*



**NOW CORPORATION**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2021	2020	2019
<b>CAPITAL STOCK</b>				
<i>Common stock</i>				
	11			
Balance at beginning of year		₱1,264,708,420	₱1,170,800,728	₱1,517,278,350
Issuance		–	71,400,000	–
Debt-to-equity conversion		–	22,507,692	108,705,883
Effect of equity restructuring		–	–	(455,183,505)
Balance at end of year		<b>1,264,708,420</b>	1,264,708,420	1,170,800,728
<i>Preferred stock</i>				
Balance at beginning of year		60,000,000	–	–
Issuance		–	60,000,000	–
Balance at end of year		<b>60,000,000</b>	60,000,000	–
		<b>1,324,708,420</b>	1,324,708,420	1,170,800,728
<b>ADDITIONAL PAID-IN CAPITAL</b>				
	11			
Balance at beginning of year		541,569,110	208,372,079	–
Issuance		–	158,100,000	–
Debt-to-equity conversion		–	186,492,308	155,294,117
Stock issuance costs		–	(11,395,277)	–
Effect of decrease in par value		–	–	53,077,962
Balance at end of year		<b>541,569,110</b>	541,569,110	208,372,079
<b>RETAINED EARNINGS (DEFICIT)</b>				
Balance at beginning of year		15,530,569	9,383,199	(402,105,543)
Net income		8,787,437	6,147,370	9,383,199
Effect of equity restructuring		–	–	402,105,543
Balance at end of year		<b>24,318,006</b>	15,530,569	9,383,199
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Cumulative unrealized gains on fair value changes on investment in equity securities</b>				
	7			
Balance at beginning of year		292,091,026	248,438,012	48,359,740
Unrealized gain		14,589,528	43,653,014	200,078,272
Balance at end of year		<b>306,680,554</b>	292,091,026	248,438,012
<b>Cumulative remeasurement losses on retirement liability</b>				
	13			
Balance at beginning of year		(1,316,709)	(467,565)	(467,565)
Remeasurement loss		–	(849,144)	–
Balance at end of year		<b>(1,316,709)</b>	(1,316,709)	(467,565)
		<b>305,363,845</b>	290,774,317	247,970,447
		<b>₱2,195,959,381</b>	₱2,172,582,416	₱1,636,526,453

See accompanying Notes to Separate Financial Statements.

**NOW CORPORATION**  
**SEPARATE STATEMENTS OF CASH FLOWS**

	Note	Years Ended December 31		
		2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		₱11,513,959	₱12,090,726	₱13,349,312
Adjustments for:				
Interest expense	10	10,041,856	11,455,896	10,597,149
Depreciation and amortization	8	9,135,045	9,189,618	10,725,173
Interest income	4	(7,122,071)	(7,130,337)	(7,145,297)
Retirement liability	13	991,651	920,416	490,051
Provision for impairment loss on trade and other receivables	17	228,450	5,744,422	419,230
Operating income before working capital changes		24,788,890	32,270,741	28,435,618
Decrease (increase) in:				
Trade and other receivables		(30,694,670)	(83,995,801)	(29,669,196)
Other current assets		(2,818,574)	4,679,252	(3,689,349)
Contract assets		-	42,480	107,376
Increase (decrease) in accounts payable and other current liabilities		6,018,785	23,182,664	(9,505,360)
Net cash used for operations		(2,705,569)	(23,820,664)	(14,320,911)
Income taxes paid		(2,727,156)	(5,945,888)	(3,962,947)
Interest received		29,795	38,061	53,027
Net cash used in operating activities		(5,402,930)	(29,728,491)	(18,230,831)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Due from related parties		(39,477,320)	44,321,286	(39,522,189)
Other noncurrent assets		(4,800)	(112,386)	(347,656)
Additions to:				
Property and equipment	8	(10,375,228)	(2,171,912)	(5,407,187)
Computer software	6	(3,026,262)	(2,268,454)	-
Advances made for investment	7	-	(469,500,000)	-
Net cash used in investing activities		(52,883,610)	(429,731,466)	(45,277,032)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Availment of				
Short-term loan	22	50,000,000	-	14,000,000
Long-term loan		7,103,200	-	-
Issuance of capital stock	11	-	289,500,000	-
Increase in due to related parties	12	34,673,824	189,497,095	45,598,019
Payments of:				
Interest		(12,605,920)	(9,207,024)	(8,425,043)
Lease liabilities	14	(2,726,141)	(2,592,685)	(1,889,844)
Loan principal		(14,114,344)	(2,141,048)	-
Net cash provided by financing activities		62,330,619	465,056,338	49,283,132
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>4,044,079</b>	<b>5,596,381</b>	<b>(14,224,731)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>16,136,378</b>	<b>10,539,997</b>	<b>24,764,728</b>
<b>CASH AT END OF YEAR</b>		<b>₱20,180,457</b>	<b>₱16,136,378</b>	<b>₱10,539,997</b>

		Years Ended December 31		
		2021	2020	2019
<b>NONCASH FINANCIAL INFORMATION</b>				
Reclassification from due to related parties to deposits for stock subscription	11	<b>₱221,000,000</b>	₱89,000,000	₱209,000,000
Recognition of ROU assets	14	<b>1,561,868</b>	3,535,325	4,540,271
Recognition of lease liabilities	14	<b>1,561,868</b>	3,535,325	4,510,271
Debt-to-equity conversion	11	–	209,000,000	264,000,000
Reclassification from due from related parties to advances for investment	7	–	130,500,000	–
Equity restructuring	11	–	–	455,183,505

*See accompanying Notes to Separate Financial Statements.*

**NOW CORPORATION**

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**NOTES TO SEPARATE FINANCIAL STATEMENTS**

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**1. Corporate Information**

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

In 2000, the Company's primary purpose was changed to engage in the business of securities brokerage through the use of information technology (IT).

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 Company's shares of stock are listed in the Philippine Stock Exchange.

On December 21, 2016, the 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 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 Company's BOD approved the issuance of these preferred shares to Velarde, Inc. (VI) (see Note 11).

On March 8, 2019, the Company's stockholders approved the reduction of the 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 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 table below presents the Company's subsidiaries and the respective percentage of effective ownership as at December 31, 2021 and 2020:

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

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

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

#### **Approval of Separate Financial Statements**

The separate financial statements of the Company as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issue by the BOD on May 10, 2022.

#### **Certificates and Agreements**

On November 27, 2015, the National Telecommunications Commission (NTC) issued a Certificate of Registration (CoR) to the 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 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 Company to provide VAS to the public (VAS agreements) (see Note 12). In 2020, the VAS agreement between the 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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## **2. Summary of Significant Accounting Policies**

#### **Basis of Preparation**

The separate 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.

The Company also prepares and issues consolidated financial statements for the same period in accordance with PFRS. In the consolidated financial statements, the subsidiary undertakings have been fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiaries. The consolidated financial statements may be obtained at the Company’s registered office address and at the SEC.

#### **Measurement Bases**

The separate financial statements are presented in Philippine Peso (Peso), which is the Company’s functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The separate financial statements of the Company have been prepared under the historical cost basis, except for the following accounts:

- investment in equity securities measured at fair value;
- lease liabilities measured at present value of future lease payments; and
- retirement liability measure at present value of estimated future cash outflows.

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 Company.

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 Company 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 separate 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 separate financial statements on a recurring basis, the Company 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 Company 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 20.

#### **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.

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications 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, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted.

The adoption of the foregoing amended PFRS did not have any material effect on the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the separate financial statements, are summarized below.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- 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.



- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgments*, is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

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

### **Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the separate statements of financial position when the Company 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 Company 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 Company 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 Company determines the appropriate method of recognizing the “Day 1” difference.

*Classification.* The Company 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 Company’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, 2021 and 2020, the Company 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, 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 Asset Designated at FVOCI.* The Company 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. Unrealized gains or losses from equity instruments are recognized in other comprehensive income (OCI) and presented in the equity section of the separate 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 Company 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 value-added tax [VAT]), due to related parties, short-term loans, long-term loans and lease liabilities are classified under this category.

### **Reclassification**

The Company 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 Company 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 Company 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 Company has applied the simplified approach in measuring ECL. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. The Company 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 Company 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 Company 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 include 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 Company shall directly reduce the gross carrying amount of a financial asset when the Company 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 Company 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 Company 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 Company 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 Company’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 Company 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 separate 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 separate 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 Company; 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 Company 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.

### **Contract Balances**

*Contract Assets.* A contract asset represents the Company's right to consideration in exchange for goods or services that the Company 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 from the customers becomes due.

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

### **Value-Added Tax (VAT)**

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 separate statements of financial position.

*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.

*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 separate statements of financial position.

### **Other Current Assets**

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

*CWT.* CWT represents the amount withheld by the Company's customers 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.

*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 Company 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.

*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.

### **Investment in an Associate**

An associate is an entity in which the Company 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 separate 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 Company 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 Company in the net asset of the associate since the acquisition date. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company 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 Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### **Investments in Subsidiaries**

Investments in subsidiaries are accounted for under the cost method, less any allowance for impairment losses. The Company recognizes income when its right to receive the dividends is established. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

A subsidiary is an entity in which the Company has control. Control is achieved when the 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. Specifically, the Company controls an investee if and only if the Company has:

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

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

The 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.

### **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:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office and IT equipment	3 to 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 and 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 Company 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 on 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 separate 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 Company 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 Company 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.

### **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 a liability.

### **Equity**

*Capital Stock and APIC.* Capital stock is measured at 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.

*Retained Earnings (Deficit).* Retained earnings (deficit) represent the cumulative balance of the Company's results of operations, dividend distributions and other capital adjustments.

*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 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 Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company'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 and management service contracts.

Revenue from broadband service contracts offered separately and management 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 Company.

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 Company allocates the transaction price based on the relative stand-alone selling prices of the broadband services and software license. The Company recognizes revenue from broadband services over time because the customer simultaneously receives and consumes the benefits provided by the Company. 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 separate 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 Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company 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 are direct costs incurred in relation to broadband services and installation of software licenses. 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 Company 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 Company 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 Company 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 separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Leases**

The Company 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 Company 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 Company 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 Company also assesses whether a contract contains a lease for each potential separate lease component.

*The Company as a Lessee.* At the commencement date, the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company 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 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.

### **Income Taxes**

*Current Tax.* Current tax is the expected tax payable on the taxable income for the year, using 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 values 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 the 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 the 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.

### **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 Company's total assets based on its latest separate financial statements.

### **Foreign Currency Transactions**

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

### **Provisions and Contingencies**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not 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 separate financial statements. These are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the separate financial statements but disclosed in the notes to separate financial statements when an inflow of economic benefits is probable.

### **Events After the Reporting Date**

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

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### 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's separate 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 separate financial statements at the reporting date. The judgments, accounting estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. While the Company 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 Company'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 separate financial statements:

*Recognition of Revenue.* The Company 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 Company 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 Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

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

The Company determined that both the broadband services and transfer of software licenses are capable of being distinct. The fact that the Company 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. Consequently, the Company 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 Company 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 Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company concluded that revenue from broadband services and management services are to be recognized over time, since the customers simultaneously receive and consume the benefits as the Company 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 Company 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 Company renders the services.

*Determination of Control over Subsidiaries.* The Company determined that it has control over its subsidiaries by considering, among others, its power over the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

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

*Determination of Significant Influence over the Investee.* The Company 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 Company 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 Company over Softweb, such as the representation on the BOD of Softweb wherein the Company has two (2) representatives out of the five (5) BOD members. On this basis, the Company has determined that it has significant influence, but neither control nor joint control, over the financial and operating policy decisions over Softweb.

The Company has a 19% equity interest in NOW TEL as at December 31, 2021 and 2020. Critical judgment was exercised to assess whether the Company demonstrates significant influence over NOW TEL, such as the representation of the Company on the BOD of NOW TEL, wherein the Company has only one (1) representative out of the eleven (11) BOD members. On this basis, the Company has assessed that it has no significant influence over NOW TEL and classified the investments as equity securities at FVOCI as at December 31, 2021 and 2020.

*Classification of Lease Commitments – the Company as a Lessee.* The Company has entered into leases for office spaces, parking spaces and roof decks. The Company recognized lease liabilities for the Company's noncancellable leases, based on the present value of lease payments over the lease term using the Company'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 Company 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 Company's ROU asset and lease liability as at December 31 are as follows:

	Note	2021	2020
ROU assets	14	<b>₱5,050,041</b>	₱6,150,048
Lease liabilities	14	<b>5,799,291</b>	6,665,837

Rent expense on short-term leases amounted to ₱4.5 million, ₱4.0 million and ₱3.3 million in 2021, 2020 and 2019, respectively (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 Company 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 Company uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

For other financial assets at amortized cost, the Company applies the general approach in measuring the ECL. The Company assessed that cash in banks are deposited with reputable counterparty banks that possess good credit ratings. For security deposits on lease contracts, the Company considered the financial capacity of the lessors to refund the deposits once the lease agreement has been terminated. For related party transactions, the Company 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 Company 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 Company recognized provision for impairment loss on trade and other receivables amounting to ₱0.2 million, ₱5.7 million, and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 17).

The carrying amounts of financial assets at amortized cost are as follows:

	Note	2021	2020
Cash in banks	4	<b>₱20,098,115</b>	₱15,921,260
Trade and other receivables (excluding advances to officers and employees)	5	<b>325,352,712</b>	295,895,297
Contract assets	15	<b>1,370,685</b>	1,370,685
Due from related parties	12	<b>223,821,052</b>	177,251,456
Security deposits (recorded as part of "Other noncurrent assets")	6	<b>1,058,618</b>	1,053,818

*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 Company 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 Company in determining the fair value of the investment in NOW TEL are disclosed in Note 7.

*Determination of the NRV of Inventories.* The Company 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 2021, 2020 and 2019. Inventories at cost amounted to ₱7.1 million and ₱4.8 million as at December 31, 2021 and 2020, respectively (see Note 6).

*Estimation of the Useful Lives of Property and Equipment, ROU Assets and Computer Software.* The useful lives of the Company'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 Company's property and equipment, ROU assets and computer software in 2021, 2020 and 2019.

Depreciation and amortization aggregated ₱9.1 million, ₱9.2 million and ₱10.7 million in 2021, 2020 and 2019, respectively. The carrying amounts of property and equipment, ROU assets and computer software aggregated ₱18.5 million and ₱12.7 million as at December 31, 2021 and 2020, respectively (see Notes 6, 8 and 14).

*Assessment for the Impairment of Nonfinancial Assets.* The Company 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 Company 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 2021, 2020 and 2019.

The carrying amounts of the nonfinancial assets are as follows:

	Note	2021	2020
Other current assets (excluding inventories)	6	<b>₱16,319,326</b>	₱15,744,594
Investment in subsidiaries	7	<b>15,134,131</b>	15,134,131
Property and equipment	8	<b>9,693,799</b>	4,209,019
ROU assets	14	<b>5,050,041</b>	6,150,048
Other noncurrent assets (excluding security deposits)	6	<b>3,824,636</b>	2,381,096

*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 Company's assumptions are accumulated and recorded in OCI. While the Company 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, ₱0.9 million and ₱0.5 million in 2021, 2020 and 2019, respectively. The retirement liability amounted to ₱4.1 million and ₱3.1 million as at December 31, 2021 and 2020, 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 Company'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 Company's past results and future expectations on revenue and expenses.

The Company did not recognize deferred tax assets amounting to ₱10.7 million, ₱12.4 million and ₱10.4 million as at December 31, 2021, 2020 and 2019, respectively (see Note 18). The Company 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.

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#### 4. Cash

This account consists of:

	2021	2020
Cash on hand	<b>₱82,342</b>	₱215,118
Cash in banks	<b>20,098,115</b>	15,921,260
	<b>₱20,180,457</b>	₱16,136,378

Cash in banks earn interest at prevailing bank deposit rates.

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

	Note	2021	2020	2019
Cash in banks		<b>₱29,795</b>	₱38,061	₱53,027
Due from related parties	12	<b>7,092,276</b>	7,092,276	7,092,270
		<b>₱7,122,071</b>	₱7,130,337	₱7,145,297

## 5. Trade and Other Receivables

This account consists of:

	Note	2021	2020
Trade:			
Related parties	12	<b>₱286,818,437</b>	₱238,273,634
Third parties		<b>77,637,710</b>	96,496,648
Advances to officers and employees		<b>4,809,077</b>	3,800,272
		<b>369,265,224</b>	338,570,554
Less allowance for impairment loss		<b>39,103,435</b>	38,874,985
		<b>₱330,161,789</b>	₱299,695,569

Trade receivables from third parties are noninterest-bearing and are generally on 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	2021	2020
Balance at beginning of year		<b>₱38,874,985</b>	₱33,130,563
Provision	17	<b>228,450</b>	5,744,422
Balance at end of year		<b>₱39,103,435</b>	₱38,874,985

## 6. Other Assets

### Other Current Assets

This account consists of:

	2021	2020
CWT	<b>₱8,437,095</b>	₱7,520,141
Inventories - at cost	<b>7,079,279</b>	4,835,437
Prepayments	<b>6,444,583</b>	7,482,416
Deferred input VAT	<b>1,437,648</b>	742,037
	<b>₱23,398,605</b>	₱20,580,031

In 2020, as disclosed in Note 11, the Company's BOD approved the issuance of the redeemable, convertible, non-participating and non-voting Peso-denominated preferred shares to VI. Accordingly, the deferred transaction costs aggregating ₱14.6 million (previously classified as prepayments) incurred in the planned offering of the shares 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 separate statements of income.

Inventories, pertaining to telecommunication tools and supplies, are measured at lower of cost and NRV. Cost of inventories charged to cost of sales and services amounted to ₱3.8 million, ₱2.0 million and ₱3.5 million in 2021, 2020 and 2019, respectively.

### **Other Noncurrent Assets**

This account consists of:

	Note	2021	2020
Computer software		<b>₱3,749,426</b>	₱2,305,886
Security deposits	14	<b>1,058,618</b>	1,053,818
Trademarks		<b>75,210</b>	75,210
		<b>₱4,883,254</b>	₱3,434,914

Movements in the computer software are as follows:

	Note	2021	2020
<b>Cost</b>			
Balance at beginning of year		<b>₱4,991,410</b>	₱2,722,956
Additions		<b>3,026,262</b>	2,268,454
Balance at end of year		<b>8,017,672</b>	4,991,410
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>2,685,524</b>	1,647,175
Amortization	8	<b>1,582,722</b>	1,038,349
Balance at end of year		<b>4,268,246</b>	2,685,524
<b>Carrying Amount</b>		<b>₱3,749,426</b>	₱2,305,886

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## 7. Investments and Advances

This account consists of the following:

	2021	2020
Investments	<b>₱1,611,093,035</b>	₱1,596,503,507
Advances for investment	<b>600,000,000</b>	600,000,000
	<b>₱2,211,093,035</b>	₱2,196,503,507

The Company has the following investments:

	2021	2020
Investments in:		
Equity securities at FVOCI	<b>₱1,595,958,904</b>	₱1,581,369,376
Subsidiaries	<b>38,534,131</b>	38,534,131
Associate	<b>6,000,000</b>	6,000,000
Total	<b>1,640,493,035</b>	1,625,903,507
Less:		
Allowance for impairment loss on investments in subsidiaries	<b>23,400,000</b>	23,400,000
Cumulative share in net losses of an associate	<b>6,000,000</b>	6,000,000
	<b>₱1,611,093,035</b>	₱1,596,503,507

#### **Investments in Equity Securities at FVOCI**

The Company has 2,656,580 shares equivalent to a cost of ₱1,289.3 million or 19% equity interest 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 14, 2020, NOW TEL's provisional authority to operate a mobile telecommunications system was extended until September 2023.

In 2020, the Company made cash advances to NOW TEL amounting to ₱469.5 million for future investment. Existing advances for investment in NOW TEL amounted to ₱600.0 million as at December 31, 2021 and 2020.

On May 3, 2021, NOW TEL's BOD and stockholders approved to increase its authorized capital stock from 14,597,489 shares at ₱100 par value a share to 19,041,925 shares at ₱100 par value a share. Of the increase, 4,444,436 shares at 25% or 1,111,109 shares have been subscribed and fully paid for by subscribing shareholders. Moreover, on June 24, 2021, the Company's stockholders approved to apply its advances for investments of ₱600.0 million against additional subscription of 1,000,000 shares of NOW TEL's increase at a conversion price of ₱600 a share. This will increase the Company's ownership in NOW TEL from 2,656,580 shares to 3,656,580 shares or from 19% to 24%. NOW TEL's increase was approved by the SEC on April 20, 2022.

On June 6, 2019, the Company's stockholders approved to increase its equity share in NOW TEL up 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 May 10, 2022, the details and other terms of the share swap is not yet finalized.

#### *Valuation using Discounted Cash Flow Method*

The Company's investment in NOW TEL was valued using the discounted cash flow (DCF) method under the income approach of determining fair value and measured at Level 3 (significant unobservable inputs). In doing the DCF method, 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.* The long-term growth rate of 1.87% in 2021 and 2020 used to extrapolate the future cash flows from the investment in NOW TEL excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the budget.
- c. *WACC.* The discount rate of 7.40% and 4.70% in 2021 and 2020, respectively, 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 treasury 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.

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

	2021	2020
Balance at beginning of year	₱292,091,026	₱248,438,012
Unrealized gain on fair value changes	14,589,528	43,653,014
Balance at end of year	<b>₱306,680,554</b>	₱292,091,026

*Legal Contingencies of NOW TEL*

NOW TEL is a party to certain lawsuits or claims which are still pending resolution as at May 10, 2022. NOW TEL's management believes that, based on information currently available and on the opinion of its legal counsel, the outcome of such lawsuits or claims will not have a material effect on the financial statements and on the prospective financial information or future cash flows of NOW TEL.

NOW TEL has a pending petition with the Supreme Court, contesting NTC's 2005 assessment of Supervision and Regulation Fees (SRF). The assessment included APIC arising from debt restructuring. As supported by existing rules and jurisprudence, the SRF should be computed based on capital stock subscribed or paid but not including APIC arising from debt restructuring. As at May 10, 2022, the petition is still pending decision by the Supreme Court.

### **Investments in Subsidiaries**

The Company has investments in the following subsidiaries:

	Percentage of Ownership		Carrying Amount	
	2021	2020	2021	2020
I-Resource	<b>100</b>	100	<b>₱11,250,000</b>	₱11,250,000
JSIT	<b>100</b>	100	<b>2,634,131</b>	2,634,131
Porteon	<b>100</b>	100	<b>250,000</b>	250,000
I-Professional	<b>75</b>	75	<b>1,000,000</b>	1,000,000
Softrigger	<b>67</b>	67	<b>23,400,000</b>	23,400,000
			<b>38,534,131</b>	38,534,131
Less allowance for impairment losses			<b>23,400,000</b>	23,400,000
			<b>₱15,134,131</b>	₱15,134,131

#### *I-Resource*

I-Resource was incorporated and registered with the Philippine SEC on May 25, 2011 primarily to provide consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.

On April 2, 2014, I-Resource amended its articles of incorporation and added a secondary purpose, to engage in contracting and subcontracting for resource management outsourcing and to provide management services in information technology.

On June 20, 2019, I-Resource renewed its registration with the Department of Labor and Employment, in compliance with Department Order No. 174. The certificate of registration is valid for two (2) years until June 19, 2021. This was subsequently renewed on June 3, 2021 for another two (2) years or until June 2, 2023.

#### *JSIT*

JSIT was incorporated and registered in Tokyo, Japan on March 17, 2011. The primary purpose of JSIT is to provide IT services.

#### *Porteon*

Porteon was incorporated and registered with the Philippine SEC on June 10, 2011 to primarily engage in the business of manufacturing, marketing and selling of vehicles of all types, including but not limited to electric vehicles.

#### *I-Professional*

I-Professional was incorporated and registered with the Philippine SEC on August 15, 2012, primarily for the recruitment and placement of workers domestically for a fee.

On November 3, 2019, I-Professional renewed its registration with the Department of Labor and Employment. The certificate of registration is valid for three (3) years until November 2, 2022.



*Softrigger*

The Company entered into an agreement with Softrigger on September 1, 2010 whereby the Company shall subscribe to new shares of Softrigger, resulting to a 50% equity interest in Softrigger. On June 17, 2011, the Company exercised its right to convert its loan into common shares of Softrigger at the equivalent par value, thus, increasing its share from 50% to 67%.

Softrigger is engaged in web design, development and programming, design and implementation of IT solutions, and consulting services.

The investment in Softrigger has been fully-impaired as at December 31, 2021 and 2020.

**Investment in an Associate**

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

The Company'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, 2021 and 2020 is nil. The unrecognized share in net loss amounted to ₱7.1 million as at December 31, 2021 and 2020. The Company does not have any legal or constructive obligation to make payments on behalf of Softweb.

The Company also has advances to Softweb amounting to ₱5.0 million pertaining to a deposit for stock subscription. The amount was already fully provided with allowance for impairment loss as at December 31, 2021 and 2020 (see Note 12).

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**8. Property and Equipment**

Movements in this account are as follows:

	2021				Total
	Transportation Equipment	Office and IT Equipment	Furniture and Fixtures	Leasehold Improvement	
<b>Cost</b>					
Balance at beginning of year	₱20,463,760	₱30,164,010	₱838,391	₱3,325,710	₱54,791,871
Additions	8,376,253	1,899,031	99,944	-	10,375,228
Balance at end of year	28,840,013	32,063,041	938,335	3,325,710	65,167,099
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	17,934,355	28,650,920	671,867	3,325,710	50,582,852
Depreciation and amortization	2,450,968	2,417,855	21,625	-	4,890,448
Balance at end of year	20,385,323	31,068,775	693,492	3,325,710	55,473,300
<b>Carrying Amount</b>	<b>₱8,454,690</b>	<b>₱994,266</b>	<b>₱244,843</b>	<b>₱-</b>	<b>₱9,693,799</b>

	2020				Total
	Transportation Equipment	Office and IT Equipment	Furniture and Fixtures	Leasehold Improvements	
<b>Cost</b>					
Balance at beginning of year	₱19,825,009	₱28,630,849	₱838,391	₱3,325,710	₱52,619,959
Additions	638,751	1,533,161	–	–	2,171,912
Balance at end of year	20,463,760	30,164,010	838,391	3,325,710	54,791,871
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	16,994,045	23,581,500	659,705	3,325,710	44,560,960
Depreciation and amortization	940,310	5,069,420	12,162	–	6,021,892
Balance at end of year	17,934,355	28,650,920	671,867	3,325,710	50,582,852
<b>Carrying Amount</b>	<b>₱2,529,405</b>	<b>₱1,513,090</b>	<b>₱166,524</b>	<b>₱–</b>	<b>₱4,209,019</b>

Transportation equipment with carrying amount of ₱7.1 million and ₱0.1 million were held as collateral for the Company's loans as at December 31, 2021 and 2020, respectively (see Note 10).

Cost of fully depreciated property and equipment that are still used in operations amounted to ₱42.2 million and ₱40.2 million as at December 31, 2021 and 2020, respectively.

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

	Note	2021	2020	2019
Property and equipment		<b>₱4,890,448</b>	₱6,021,892	₱7,933,686
ROU assets	14	<b>2,661,875</b>	2,129,377	2,318,144
Computer software	6	<b>1,582,722</b>	1,038,349	473,343
		<b>₱9,135,045</b>	₱9,189,618	₱10,725,173

## 9. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	2021	2020
Trade:			
Related parties	12	<b>₱5,780,152</b>	₱5,773,690
Third parties		<b>11,345,898</b>	13,933,214
Accrued expenses:			
Interest	12	<b>59,903,586</b>	59,903,586
Others		<b>28,445,708</b>	22,664,135
Deferred output VAT		<b>43,054,216</b>	39,219,740
Statutory payables		<b>2,910,147</b>	3,926,557
		<b>₱151,439,707</b>	₱145,420,922

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 that are normally settled within the following month.

## 10. Short-term and Long-term Loans

### Short-term Loans

Short-term loans consist of:

	2021	2020
Land Bank of the Philippines (Land Bank)	P50,000,000	P50,000,000
Union Bank of the Philippines (UnionBank)	50,000,000	–
Third party	12,000,000	12,000,000
	<b>P112,000,000</b>	<b>P62,000,000</b>

#### *Land Bank Loan*

The Company availed of unsecured, short-term loans aggregating P50.0 million with Land Bank. The loans carry annual interest rates ranging from 6.50% in 2021, 6.50% to 9.75% in 2020 and 4.80% to 7.35% in 2019 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 Company secured another set of short-term loans totaling P50.0 million with interest rate of 6.50% per annum and six (6) months term. The loan was subsequently renewed at the same interest rate for another six (6) months or until February 2022.

#### *UnionBank Loan*

The Company availed of an unsecured, short-term loan amounting to P50.0 million with UnionBank. The loan carries an annual interest rate of 4.50% and will mature on September 30, 2022.

#### *Loans from a Third Party*

In 2019, the Company availed of unsecured loans aggregating P14.0 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. The Company paid P2.0 million in 2020. In 2021, the maturities of the loans amounting to P2.0 million and P10.0 million were further extended up to February 2022 and March 2022, respectively.

### Long-term Loans

Long-term loans consist of:

	2021	2020
Producers Savings Bank Corporation (PSBC)	P35,372,258	P51,400,055
Rizal Commercial and Banking Corporation (RCBC)	6,277,447	–
BDO Unibank, Inc. (BDO)	–	122,585
Principal	41,649,705	51,522,640
Current portion	17,324,978	14,833,436
Noncurrent portion	<b>P24,324,727</b>	<b>P36,689,204</b>

*PSBC Loan*

On October 31, 2018, the 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.

*RCBC Loan*

In 2021, the Company availed of chattel mortgage loans aggregating ₱7,103,200 from RCBC for purchases of vehicles, which serves as the properties mortgaged. The loans have a term of five (5) years and bears interest rates ranging from 9.43% to 10.35% per annum.

*BDO Loan*

On December 22, 2016, the 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 loan was fully paid in 2021.

**Interest Expense**

Interest expense consists of:

	Note	2021	2020	2019
Interest expense on:				
Long-term loans		<b>₱4,951,490</b>	₱6,636,981	₱6,044,443
Short-term loans		<b>4,792,639</b>	4,480,348	4,190,476
Lease liabilities	14	<b>297,727</b>	338,567	362,230
		<b>₱10,041,856</b>	₱11,455,896	₱10,597,149

**11. Capital Stock and Additional Paid-in Capital**

**Common Stock**

Movements in common stock are presented below:

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b> - ₱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	₱1,442,000,000	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	₱1,442,000,000
<b>Issued and outstanding</b>						
Balance at beginning 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
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	1,806,726,314	₱1,264,708,420	1,672,572,468	₱1,170,800,728

*Debt-to-Equity Conversion and Additional Issuances*

On April 23, 2019, the 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 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 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 approved by the Company's stockholders on June 24, 2021. As at May 10, 2022, the conversion of advances has not yet been filed with the SEC (see Note 12).

On August 24, 2020, the 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.

On July 1, 2021, the Company's BOD approved another set of conversion of advances from VI amounting to ₱221.0 million into equity at a conversion price of ₱2.38 a share. This is subject to approval by the Company's stockholders and not yet filed with the SEC as at May 10, 2022 (see Note 12).

#### *Quasi-Reorganization*

On March 8, 2019, the Company's stockholders approved the reduction in the par value of the 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 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 Company's BOD approved to increase the Company's authorized capital stock from a total of ₱1,502.0 million (common stock and preferred stock) to ₱1,858.0 million. On June 24, 2021, the Company's stockholders unanimously ratified the approval of the BOD. As at May 10, 2022, the application for the planned increase has not yet been filed with the SEC.

### **Preferred Stock**

Movements in preferred stock are presented below:

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b>						
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
<b>Issued and outstanding</b>						
Balance at beginning of year	60,000,000	₱60,000,000	-	₱-	-	₱-
Issuance	-	-	60,000,000	60,000,000	-	-
Balance at end of year	60,000,000	₱60,000,000	60,000,000	₱60,000,000	-	₱-

On November 8, 2016, the 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 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 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	2021	2020	2019
Balance at beginning of year		<b>₱541,569,110</b>	₱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
<b>Balance at end of year</b>		<b>₱541,569,110</b>	<b>₱541,569,110</b>	<b>₱208,372,079</b>

Below is the track record of issuance of the Company’s securities:

Date of Approval	Nature	Number of shares		Issue/Offer Price
		Authorized	Issued/Subscribed	
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 Company with its related parties are as follows:

	Nature of Transaction	Transactions during the Year		Outstanding Balances	
		2021	2020	2021	2020
<b>Trade and other receivables</b>					
<i>Stockholders</i>	Management fees	<b>₱240,000</b>	₱195,600	<b>₱4,682,492</b>	₱2,548,800
<i>Entities under common control</i>	Infrastructure build-up services	<b>80,000,000</b>	80,000,000	<b>244,245,806</b>	206,834,695
	Management fees	<b>9,000,000</b>	9,000,000	<b>37,890,139</b>	28,890,139
				<b>₱286,818,437</b>	₱238,273,634
<b>Due from related parties</b>					
<i>Stockholders</i>	Advances	<b>₱33,000,000</b>	₱-	<b>₱122,634,179</b>	₱89,634,179
	Interest	<b>7,092,276</b>	7,092,276	<b>21,276,822</b>	14,184,546
<i>Entities under common control</i>	Advances	<b>6,477,320</b>	9,326,914	<b>79,910,051</b>	73,432,731
				<b>₱223,821,052</b>	₱177,251,456
<b>Accounts payable and other current liabilities</b>					
<i>Stockholders</i>	Interest	₱-	₱-	<b>₱59,903,586</b>	₱59,903,586
<i>Entities under common control</i>	Advances	<b>263,701</b>	-	<b>5,546,590</b>	5,282,889
	Outside services	<b>2,442,441</b>	2,892,717	<b>233,562</b>	490,801
	VAS and other service agreements	<b>62,453,249</b>	57,467,964	-	-
				<b>₱65,683,738</b>	₱65,677,276
<b>Due to related parties</b>					
<i>Stockholders</i>	Advances	<b>₱34,673,824</b>	₱189,497,095	<b>₱5,783,667</b>	₱185,626,043
	Leases	-	-	<b>2,896,778</b>	2,896,778
<i>Entities under common control</i>	Advances	-	-	-	6,483,800
				<b>₱8,680,445</b>	₱195,006,621

### Trade and Other Receivables

- a. *Infrastructure Build-up Services.* The Company has various service agreements with NOW TEL, NOW Cable and NewsNet wherein the 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 Company's provision of VAS to the public.

Service revenue recognized related to infrastructure build-up totaled ₱80.0 million, ₱80.0 million and ₱90.0 million in 2021, 2020 and 2019.

- 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 2021, 2020 and 2019.
- c. *Management Services.* The 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. The contract was renewed for another five (5) years or from January 1, 2021 until December 31, 2025. Service revenue amounted to ₱1.2 million, ₱1.2 million and ₱0.2 million in 2021, 2020 and 2019, respectively.

The 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 2021, 2020 and 2019.

The Company also charges VI management fees for performing accounting and administrative functions of VI. Management fees charged to VI amounted to ₱0.2 million, ₱0.2 million and ₱0.3 million in 2021, 2020 and 2019, respectively.

#### **Due from Related Parties**

- a. In 2018, the 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 at the option of the holder. No gain or loss was recognized on the transaction.

Interest income earned amounting to ₱7.1 million in 2021, 2020 and 2019 from the promissory note was recognized as part of the advances to Joyce Link (see Note 4).

- b. The Company 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, 2021 and 2020 (see Note 7).
- c. The Group has other advances to stockholders and related parties for working capital purposes. These are unsecured, noninterest-bearing and do not have definite repayment terms.

#### **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 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 Company's use of the site and communication equipment of NOW Cable and NewsNet in its operations.

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

	<b>2021</b>	2020	2019
Bandwidth costs	<b>₱35,270,333</b>	₱31,638,411	₱22,822,290
Network connectivity fees	<b>19,607,500</b>	19,607,500	19,607,500
Cost of VAS and other service agreements	<b>7,575,416</b>	6,222,053	6,024,474
	<b>₱62,453,249</b>	₱57,467,964	₱48,454,264



- b. On January 3, 2017, the 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 Company.

Outside services incurred by the Company for the services previously provided by KPSC amounted to ₱2.3 million, ₱2.9 million and ₱2.8 million in 2021, 2020 and 2019, respectively (see Notes 16 and 17).

#### **Due to Related Parties**

- a. The 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.

The Company's BOD and stockholders approved the conversion of advances from VI into equity in various years as presented below:

<u>Year</u>	<u>Amount</u>	<u>Status of SEC Approval</u>
2016	₱264,000,000	Approved on November 6, 2019
2019	209,000,000	Approved on March 16, 2020
2020	89,000,000	Not yet filed
2021	221,000,000	Not yet filed

Outstanding accrued interest amounting to ₱59.9 million in 2021 and 2020 were recorded as part of "Accounts payable and other current liabilities" account in the separate statements of financial position (see Note 9).

- b. The Company has other advances from its 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 in 2021, 2020 and 2019.

#### **Compensation of Key Management Personnel**

Compensation of key management personnel presented as part of "Salaries and employee benefits" under "Operating expenses" account in the separate statements of income consists of short-term employee benefits amounting to ₱12.1 million and ₱10.2 million in 2021 and 2020, respectively.

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

On July 3, 2020, the 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 plan is yet to be approved by the 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.

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**13. Retirement Liability**

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

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

	<b>2021</b>	2020	2019
Current service cost	<b>₱844,422</b>	₱819,828	₱425,629
Interest cost	<b>147,229</b>	100,588	64,422
	<b>₱991,651</b>	₱920,416	₱490,051

Movements in the retirement liability are as follows:

	<b>2021</b>	2020
Balance at beginning of year	<b>₱3,132,537</b>	₱1,362,977
Current service cost	<b>844,422</b>	819,828
Interest cost	<b>147,229</b>	100,588
Remeasurement loss	-	849,144
Balance at end of year	<b>₱4,124,188</b>	₱3,132,537

The cumulative remeasurement losses recognized in OCI amounted to ₱1.3 million as at December 31, 2021 and 2020.

The principal actuarial assumptions used to determine the DBO of the Company are as follows:

	<b>2021</b>	2020
Discount rate	<b>4.70%</b>	3.20%
Salary increase rate	<b>3.00%</b>	3.00%

The sensitivity analysis based on reasonably possible changes in the assumptions as at December 31, 2021 and 2020 are as follows:

	Change in assumption	Effects on retirement liability	
		2021	2020
Discount rate	+1%	<b>(P31,326)</b>	(P173,934)
	-1%	<b>31,326</b>	196,367
Salary increase rate	+1%	<b>(8,198)</b>	192,110
	-1%	<b>8,198</b>	(179,607)

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	P4,723,957
More than 5 years but less than 20 years	5,644,026
More than 20 years	2,094,517

The average duration of the defined benefit liability is 16 years and 17 years as at December 31, 2021 and 2020, respectively.

#### 14. Lease Commitments

##### Long-term Lease

The Company 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.

The Company 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	2021	2020
<b>Cost</b>			
Balance at beginning of year		<b>P10,597,569</b>	P7,062,244
Additions		<b>1,561,868</b>	3,535,325
Balance at beginning of year		<b>12,159,437</b>	10,597,569
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>4,447,521</b>	2,318,144
Amortization	8	<b>2,661,875</b>	2,129,377
Balance at end of year		<b>7,109,396</b>	4,447,521
<b>Carrying Amount</b>		<b>P5,050,041</b>	P6,150,048

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

	Note	2021	2020
Balance at beginning of year		<b>₱6,665,837</b>	₱5,384,630
Additions		<b>1,561,868</b>	3,535,325
Rental payments		<b>(2,726,141)</b>	(2,592,685)
Interest	10	<b>297,727</b>	338,567
Balance at end of year		<b>5,799,291</b>	6,665,837
Current portion		<b>2,285,887</b>	2,410,542
Noncurrent portion		<b>₱3,513,404</b>	₱4,255,295

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.

### **Short-term Lease**

The Company 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 ₱4.5 million, ₱4.0 million and ₱3.3 million in 2021, 2020 and 2019, respectively (see Note 16 and 17). Security deposit amounted to ₱1.1 million as at December 31, 2021 and 2020 (see Note 6).

The amounts recognized in profit or loss are as follows:

	Note	2021	2020	2019
Rent expense:				
Cost of sales and services	16	<b>₱4,213,961</b>	₱3,747,797	₱3,066,114
Operating expenses	17	<b>290,704</b>	240,780	262,182
Amortization of ROU assets	8	<b>2,661,875</b>	2,129,377	2,318,144
Interest expense on lease liabilities	10	<b>297,727</b>	338,567	362,230
		<b>₱7,464,267</b>	₱6,456,521	₱6,008,670

Maturity analysis of undiscounted contractual lease payments from December 31, 2021 is as follows:

On demand	₱906,944
Within one year	2,477,211
After one year but not more than five years	3,181,588
	<b>₱7,581,884</b>

## 15. Revenue

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

	2021		
	Service fees	Sale of goods	Total
Management services	₱89,240,000	₱–	₱89,240,000
Broadband services	84,980,156	–	84,980,156
Sale and/or installation of software licenses	–	9,348,132	9,348,132
	<b>₱174,220,156</b>	<b>₱9,348,132</b>	<b>₱183,568,288</b>

	2020		
	Service fees	Sale of goods	Total
Management services	₱89,240,000	₱–	₱89,240,000
Broadband services	83,218,825	–	83,218,825
Sale and/or installation of software licenses	87,765	11,066,209	11,153,974
	<b>₱172,546,590</b>	<b>₱11,066,209</b>	<b>₱183,612,799</b>

	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
	<b>₱185,951,208</b>	<b>₱4,038,959</b>	<b>₱189,990,167</b>

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 Company to its related parties (see Note 12).

### **Contract Assets**

Contract assets arise from the Company's sale of broadband service contracts bundled with software licenses wherein the Company 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, 2021 and 2020. No ECL was recognized on the contract assets in 2021, 2020 and 2019.

These are reclassified to trade receivables when payment is due from customers.

## 16. Cost of Sales and Services

This account consists of:

	Note	2021	2020	2019
Cost of VAS and other service agreements	12	<b>₱62,453,249</b>	₱57,467,964	₱48,454,264
Salaries and employee benefits		<b>25,846,408</b>	25,391,685	37,559,857
Cost of software licenses		<b>5,660,491</b>	3,451,069	2,848,808
Installation costs		<b>4,714,232</b>	2,947,512	5,306,588
Rent	14	<b>4,213,961</b>	3,747,797	3,066,114
Outside services	12	<b>1,192,147</b>	1,395,789	1,467,951
Others		<b>3,190,687</b>	1,867,719	2,514,408
		<b>₱107,271,175</b>	₱96,269,535	₱101,217,990

## 17. Operating Expenses

This account consists of:

	Note	2021	2020	2019
Salaries and employee benefits		<b>₱22,125,676</b>	₱21,168,172	₱24,733,451
Depreciation and amortization	8	<b>9,135,045</b>	9,189,618	10,725,173
Professional fees		<b>7,079,848</b>	8,666,415	5,510,128
Representation		<b>4,869,971</b>	4,680,355	7,018,188
Taxes and licenses		<b>3,981,868</b>	3,557,181	4,077,087
Transportation and travel		<b>3,276,662</b>	3,100,540	4,549,208
Advertising and promotion		<b>2,524,968</b>	5,842,049	4,724,536
Communication		<b>1,725,542</b>	2,132,777	2,888,958
Security services		<b>1,716,213</b>	1,837,396	843,512
Outside services	12	<b>1,250,294</b>	1,496,928	1,360,377
Office supplies		<b>692,101</b>	687,752	1,423,447
Insurance		<b>293,351</b>	312,355	132,087
Rent	14	<b>290,704</b>	240,780	262,182
Provision for impairment loss on trade and other receivables	5	<b>228,450</b>	5,744,422	419,230
Repairs and maintenance		<b>158,434</b>	233,581	293,258
Utilities		<b>58,689</b>	46,122	69,366
Others		<b>3,583,905</b>	1,909,592	2,937,511
		<b>₱62,991,721</b>	₱70,846,035	₱71,967,699

## 18. Income Taxes

The provision for current income tax pertains to RCIT amounting to ₱2.7 million, ₱5.9 million and ₱4.0 million in 2021, 2020 and 2019, respectively.

The Company has unrecognized deferred tax assets on the following temporary differences:

	2021	2020	2019
Allowance for impairment loss on trade and other receivables	<b>₱9,775,859</b>	₱11,662,496	₱9,939,169
Retirement liability	<b>701,870</b>	544,748	268,624
Advanced collections received from customers	<b>152,484</b>	151,392	60,490
Effect of PFRS 16	<b>65,813</b>	57,537	143,559
	<b>₱10,696,026</b>	₱12,416,173	₱10,411,842

The Company did not recognize the deferred tax assets on these temporary differences because management has assessed that there will be no sufficient future taxable profit against which the deferred tax assets can be utilized.

Deferred tax liability of ₱634 as at December 31, 2020, pertains to unrealized foreign exchange gain of ₱2,114 as at December 31, 2020.

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income taxes shown in the separate statements of income follows:

	2021	2020	2019
Income tax at the statutory income tax rate	<b>₱2,878,490</b>	₱3,627,218	₱4,004,794
Change in unrecognized deferred tax assets	<b>(1,720,147)</b>	2,004,332	(61,548)
Tax effects of:			
Change in tax rate	<b>1,573,767</b>	-	-
Interest income already subjected to final tax	<b>(7,449)</b>	(11,420)	(15,908)
Nondeductible expenses	<b>1,861</b>	323,226	38,775
	<b>₱2,726,522</b>	₱5,943,356	₱3,966,113

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE" Act) was signed into law by the country's President. Under the CREATE Act, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of 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 retrospectively became effective beginning July 1, 2020. For financial reporting, the impact of the change in 2020 was accounted for in 2021.

Accordingly, the income tax rates used in preparing the separate financial statements as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
RCIT	<b>25%</b>	30%
MCIT	<b>1%</b>	2%

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## 19. Financial Risk Management Objectives and Policies

### **General**

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company'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 Company'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 Company's risk management framework. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Company.

The Company'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, short-term loans, long-term loans, and lease liabilities.

The main risks arising from the Company'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 Company 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 Company is attributable to financial assets at amortized cost. The Company 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 Company 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 Company'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 is mitigated by transacting only with reputable banks duly approved by management.



The tables below summarize the analysis of the Company's financial assets as at December 31, 2021 and 2021 and 2020:

	2021					Total
	Neither Past Due nor Impaired		Past due but not impaired	Impaired		
	High Grade	Standard Grade				
Cash in banks	₱20,098,115	₱-	₱-	₱-	₱20,098,115	
Trade and other receivables*	-	325,352,712	-	39,103,435	364,456,147	
Due from related parties	223,821,052	-	-	-	223,821,052	
Security deposits	1,058,618	-	-	-	1,058,618	
	<b>₱244,977,785</b>	<b>₱325,352,712</b>	<b>₱-</b>	<b>₱39,103,435</b>	<b>₱609,433,932</b>	

\*Excluding advances to officers and employees amounting to ₱4.8 million.

	2020					Total
	Neither Past Due nor Impaired		Past due but not impaired	Impaired		
	High Grade	Standard Grade				
Cash in banks	₱15,921,260	₱-	₱-	₱-	₱15,921,260	
Trade and other receivables*	-	295,895,297	-	38,874,985	334,770,282	
Due from related parties	177,251,456	-	-	-	177,251,456	
Security deposits	1,053,818	-	-	-	1,053,818	
	<b>₱194,226,534</b>	<b>₱295,895,297</b>	<b>₱-</b>	<b>₱38,874,985</b>	<b>₱528,996,816</b>	

\*Excluding advances to officers and employees amounting to ₱3.8 million.

The Company 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.

The Company considers its financial assets which are neither past due but not impaired as high grade.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a weekly basis. As part of its liquidity risk management, the Company 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 Company's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments:

	2021				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other current liabilities*	₱59,903,586	₱45,571,758	₱-	₱-	₱105,475,344
Short-term and long-term loans**	-	67,986,881	66,786,904	26,125,534	160,899,319
Due to related parties	8,680,445	-	-	-	8,680,445
Lease liabilities	906,944	704,614	1,772,597	3,181,588	6,565,743
	<b>₱69,490,975</b>	<b>₱114,263,253</b>	<b>₱68,559,501</b>	<b>₱29,307,122</b>	<b>₱281,620,851</b>

\*Excluding deferred output VAT and statutory payables aggregating ₱46.0 million.

\*\*Including future interest 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	₱42,371,039	₱-	₱-	₱102,274,625
Short-term and long-term loans**	-	4,002,936	78,816,268	39,261,203	122,080,407
Due to related parties	195,006,621	-	-	-	195,006,621
Lease liabilities	744,944	-	2,671,641	4,165,299	7,581,884
	<b>₱255,655,151</b>	<b>₱46,373,975</b>	<b>₱81,487,909</b>	<b>₱43,426,502</b>	<b>₱426,943,537</b>

\*Excluding deferred output VAT and statutory payables aggregating ₱43.1 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 Company's short-term and long-term loans from local banks subject to fixed interest rates and are exposed to fair value interest rate risk.

The Company 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 Company's net income.

## 20. Fair Value of Financial Instruments

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

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	<b>₱20,180,457</b>	<b>₱20,180,457</b>	₱16,136,378	₱16,136,378
Trade and other receivables*	<b>325,392,712</b>	<b>325,392,712</b>	295,935,297	295,935,297
Contract assets	<b>1,370,685</b>	<b>1,370,685</b>	1,370,685	1,370,685
Due from related parties	<b>223,821,052</b>	<b>223,821,052</b>	177,251,456	177,251,456
Investment in equity securities	<b>1,595,958,904</b>	<b>1,595,958,904</b>	1,581,369,376	1,581,369,376
Security deposits	<b>1,058,618</b>	<b>1,058,618</b>	1,053,818	1,053,818
	<b>₱2,167,782,428</b>	<b>₱2,167,782,428</b>	₱2,073,117,010	₱2,073,117,010

\*Excluding advances to officers and employees amounting to ₱4.8 million and ₱3.8 million as at December 31, 2021 and 2020, respectively.

<b>Financial Liabilities</b>				
Accounts payable and other current liabilities*	<b>₱105,475,344</b>	<b>₱105,475,344</b>	₱102,274,625	₱102,274,625
Short-term loans	<b>112,000,000</b>	<b>112,000,000</b>	62,000,000	62,000,000
Long-term loans	<b>41,649,705</b>	<b>41,575,226</b>	51,522,640	51,586,007
Due to related parties	<b>8,680,445</b>	<b>8,680,445</b>	195,006,621	195,006,621
Lease liabilities	<b>5,700,291</b>	<b>5,700,291</b>	6,665,837	6,665,837
	<b>₱273,505,785</b>	<b>₱273,431,306</b>	₱417,469,723	₱417,533,090

\*Excluding deferred output VAT and statutory payables aggregating ₱46.0 million and ₱43.1 million as at December 31, 2021 and 2020, respectively.

*Cash, Trade and Other Receivables (excluding advances to officers and employees), Contract Assets, Security Deposits, 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 7.40% and 4.70% in 2021 and 2020, respectively (Level 3).

*Long-term Loans.* The fair values for the Company's long-term loans are estimated using the discounted cash flow method with the applicable rates ranging from 9.42% to 10.79% in 2021 and 6.25% to 10.79% in 2020 (Level 2).

*Lease Liabilities.* The fair values of the Company's lease liabilities are measured at the present value of the remaining lease payments, discounted using rates ranging from 4.25% to 7.94% in 2021 and 2020 (Level 2).

There were no transfers between levels in the fair value hierarchy as at December 31, 2021, 2020 and 2019.

## 21. Capital Management

The Company considers the equity presented in the separate statements of financial position as its core capital. The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, based on the changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As at December 31, 2021, 2020 and 2019, the Company was able to meet its capital management objectives. No changes were made in the objectives, policies or processes in 2021, 2020 and 2019.

## 22. Notes to Separate Statements of Cash Flows

The reconciliation of the Company's liabilities arising from financing activities is presented below:

	Cash Flows			Non-cash Flows			December 31, 2021
	January 1, 2021	Availments/ Additions	Payments	Additions	Interest Expense	Reclassification to Deposit for Stock Subscription	
Due to related parties	₱195,006,621	₱34,673,824	₱-	₱-	₱-	(₱221,000,000)	₱8,680,445
Short-term and long-term loans	113,522,640	57,103,200	(26,720,264)	-	9,744,129	-	153,649,705
Lease liabilities	6,665,837	-	(2,726,141)	1,561,868	297,727	-	5,799,291
	<b>₱315,195,098</b>	<b>₱91,777,024</b>	<b>(₱29,446,405)</b>	<b>₱1,561,868</b>	<b>₱10,041,856</b>	<b>(₱221,000,000)</b>	<b>₱168,129,441</b>

	Cash Flows			Non-cash Flows			December 31, 2020
	January 1, 2020	Availments/ Additions	Payments	Additions	Interest Expense	Reclassification to Deposit for Stock Subscription	
Due to related parties	₱94,509,526	₱189,497,095	₱-	₱-	₱-	(₱89,000,000)	₱195,006,621
Short-term and long-term loans	113,753,383	-	(11,348,072)	-	11,117,329	-	113,522,640
Lease liabilities	5,384,630	-	(2,592,685)	3,535,325	338,567	-	6,665,837
	<b>₱213,647,539</b>	<b>₱189,497,095</b>	<b>(₱13,940,757)</b>	<b>₱3,535,325</b>	<b>₱11,455,896</b>	<b>(₱89,000,000)</b>	<b>₱315,195,098</b>

	Cash Flows			Non-cash Flows			December 31, 2019
	January 1, 2019	Availments/ Additions	Payments	Additions	Interest Expense	Reclassification to Deposit for Stock Subscription	
Due to related parties	₱257,911,507	₱45,598,019	₱-	₱-	₱-	(₱209,000,000)	₱94,509,526
Short-term and long-term loans	97,943,507	14,000,000	(8,425,043)	-	10,234,919	-	113,753,383
Lease liabilities	4,510,271	-	(1,889,844)	2,401,973	362,230	-	5,384,630
	<b>₱360,365,285</b>	<b>₱59,598,019</b>	<b>(₱10,314,887)</b>	<b>₱2,401,973</b>	<b>₱10,597,149</b>	<b>(₱209,000,000)</b>	<b>₱213,647,539</b>



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE  
BUREAU OF INTERNAL REVENUE**

The Stockholders and the Board of Directors  
NOW Corporation  
Unit 5-1, 5th floor, OPL Building  
100 C. Palanca St., Legaspi Village  
Makati City

We have audited the accompanying separate financial statements of NOW Corporation (the Company) as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated May 10, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

May 10, 2022  
Makati City, Metro Manila