# COVER SHEET

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(Company's full name)

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(Business Address: No. Street/City/Province)

ANGELINE L. MACASAET
Contact Person

750-0211/750-0461
Company Telephone Number

0 4 — Month
2 8 — Day

SEC Form 17A
For Fiscal Year ending December 31, 2015
Form Type

Month | Day
Annual Meeting

2014
Fiscal Year

Secondary License Type, If Applicable

C F D
Dept. Requiring this doc.

Amended Articles

Number/Section

Total amount of Borrowings

73
Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

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**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 **December 31, 2015**

2. SEC Identification Number **A199600179** 3. BIR Tax Identification No. **004-668-224**

4. Exact name of issuer as specified in its charter **NOW CORPORATION**

5. **Makati City, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

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

8. (**632) 750-0211**
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 Shares** | **1,517,278,350** |

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:

**Philippine Stock Exchange** **Common Stock**

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

### Item1. 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, Joycelink Holdings Limited, Gamboa Holdings, Inc., Emerald Investments Inc., Foodcamp Industries and Marketing, Inc. (the five companies collectively known as NOW Telecom Shareholders) whereby existing shares of NOW Telecom owned by the NOW Telecom Shareholders were swapped with new shares issued by Cashrounds pursuant to an increase in authorized capital stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On August 25, 2012 the SEC approved the incorporation of I-Professional Search Network, Inc., a wholly-owned subsidiary of the Company. The primary purpose of I-Professional Search Network, Inc. is the recruitment and placement of workers domestically. This is aimed at broadening the Company's base in the area of service-related business as well as to complement the Company's other wholly-owned subsidiary, 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 2 July 2013 and 6 June 2013, respectively. On 16

August 2013 the SEC issued the Certificate of Filing of Amended Articles of Incorporation and the Certificate of Revision of the Title of Amended By-Laws certifying the said name change.

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

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

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

**(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 covers the business of providing telecommunications, media, and information technology products and services. These include telecommunications value-added service (VAS) through companies duly licensed to engage in wired and wireless, fixed and mobile communications; software and hardware technology, business process outsourcing, call center and other information technology applications; digital media and other media except mass media; as well as activities directly or indirectly connected to these.

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

Business Partners

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

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

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

Brands

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

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

Products and Services

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

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

2. **Communications Network Services** - In partnership with NOW Telecom, clients will have access to the usual cellular services as well as professional radio services such group communication, field workforce management services (dispatching) and data services through Trunk Radios (TETRA).

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

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

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

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

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

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

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

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

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

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

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

12. **Website Development** – this service helps clients achieve an online presence to generate highly interactive and engaging relationships with the clients' end-customers. The Company has established the brand WebsiteExpress as its vehicle to delivering world-class and globally compliant websites. WebsiteExpress operates at a subscription model, providing subscribers affordable, professional websites in as fast as 5 days. It is a one-stop shop – development, domain, hosting, SSL certificates, shopping cart, email and more all in one place, eliminating the need to deal with multiple service providers.

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

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

**Development of New Products and Services**

The development of the NowPlanet.TV Channels and other products would require substantial resources for the service fees of the consultants, purchase of IT equipment, subscription for dedicated and guaranteed bandwidth through an internet lease line and distribution of the live streaming coverage. The estimated expenditure for the above is Php4.5M.

**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. IBM Lotus Notes developers and resellers;
2. Web development companies; and
3. Software engineering service providers.

As the Company continue 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 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 11 (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.

On 16 August 2013, a Verified Opposition was filed by Starbucks (HK) Limited against the application for trademark registration of a variation of the mark NOWPLANET.TV AND DESIGN. The case is under mediation.

**Research and Development Activities**

The company did not allocate an amount for research and development in years 2015 and 2014. In the year 2013, the Company spent the amount of Php3.4K on research and development activities, which is .0044 % of its revenues. For the year 2012 and 2011, the Company did not allocate an amount for research and development activities.

**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**

As of December 31, 2015, the Company only has less than 3 employees. Majority of the operations complement, including research and development, are outsourced from Knowledge Professionals Service Cooperative.

**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.

3. 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**

The Company purchased transportation equipment totaling Php15.17M (Note 9) in 2011 and 2010 through a four year financing agreements started in 2010 up to 2011. The total lease amortization amounted to Php296K and are payable on a monthly basis. The transportation equipment is for the use of sales and technical personnel and developers. The assets were capitalized since the lease term is for the major part of the economic life of the assets.

In April 2014, the Company renewed its lease agreement covering its principal office for another one (1) year period, renewable upon mutual agreement of the parties. In March 2015, the Company informed the lessor of the former's interest to renew the lease agreement to cover the period commencing on April 1, 2015 up to March 31, 2016, renewable subject to mutual agreement of the parties, for a monthly rental rate of Php19,384.04 (excluding EVAT). Signing of the contract of lease has been scheduled by the lessor in April 2015.

**Item 3. Legal Proceedings**

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

1. the company's mark is identical with or nearly resembles opposer's NOW TV & Device, with an earlier filing date and priority date;
2. Opposer's mark NOW TV & DEVICE has a protected goodwill over respondent's mark;

3. Opposer's mark is well known internationally and in the Philippines, and has acquired distinctiveness that requires protection.

The case is currently under mediation before the Bureau of Legal Affairs, Intellectual Property Case.

Except for the opposition filed by Starbucks (HK) Limited against the application for trademark registration of a variation of the mark NOWPLANET.TV, there are no other legal proceedings against the Company. The Company is not a party to, and its properties are not subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company's financial position or result of operations.

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

The amendment of the Eight Article will be submitted to the stockholders for approval during the annual stockholders' meeting for the increase in authorized capital from Php2,120,000,000.00 divided into 2,120,000,000 shares of the par value of Php1.00 each to Php to Php6,344,000,000.00 divided into 6,344,000,000 shares of the par value of Php1.00 each.

## 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 8,000,000 shares from the Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Company was approved by the PSE and the Securities and Exchange Commission (SEC), on June 11 and July 30, 2003, respectively. The Company was listed in the PSE on July 23, 2003. Issue manager and underwriter was Abacus Capital & Investment Company. The market price is at high of Php1.08 and low of Php.34. The following table is the summary of the Company's stock prices from first quarter of 2013 up to the first quarter of 2016:

| Year | Quarter | High | Low | Close |
|---|---|---|---|---|
| 2013 | 1st | 0.510 | 0.400 | 0.400 |
| | 2nd | 0.450 | 0.360 | 0.380 |
| | 3rd | 0.465 | 0.355 | 0.430 |
| | 4th | 0.430 | 0.365 | 0.405 |
| 2014 | 1st | 0.405 | 0.360 | 0.380 |
| | 2nd | 1.040 | 0.370 | 0.710 |
| | 3rd | 0.910 | 0.610 | 0.630 |
| | 4th | 0.720 | 0.540 | 0.570 |
| 2015 | 1st | 0.670 | 0.400 | 0.495 |
| | 2nd | 0.630 | 0.430 | 0.465 |
| | 3rd | 0.610 | 0.400 | 0.500 |
| | 4th | 1.290 | 0.470 | 0.750 |
| 2016 | 1st | 1.140 | 0.580 | 1.100 |

During the June 2, 2006 Annual Shareholders Meeting of the Company, the shareholders approved the Memorandum of Agreement dated April 28, 2006 (MOA) entered into by the Company with NOW Telecom and five other companies namely, Top Mega Enterprises Limited, Joycelink Holdings Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Food Camp Industries and Marketing, Inc. (the five companies collectively known as NOW Telecom Shareholders).

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

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

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

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

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

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

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

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

The movement in the number of shares and capital stock amount for the year ended December 31, 2015, 2014 and 2013 are as follows:

| | **2015** | | **2014** | | **2013** | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Balance at beginning of year | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** |
| Increase in number of shares as a result of reduction in par value | - | - | - | - | - | - |
| Issuance during the year | - | - | - | - | | |
| Balance at end of year | **1,517,278,350** | **1,517,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** | **1,317,278,350** |

No party or person holds any voting trust over any of the Company's shares. There are approximately 73 Holders of Common Stock as of December 31, 2015. The Top Twenty (20) Holders of Common Stock as of 31 December 2015 are as follows:

| Name | Nationality | No. of shares | Percentage |
|---|---|---|---|
| Top Mega Enterprises Limited | Chinese | 377,035,951 | 24.85% |
| PCD Nominee Corp. – Filipino | Filipino | 273,579,719 | 18.03% |
| Gamboa Holdings, Inc. | Filipino | 249,388,482 | 16.37% |
| Emerald Investments, Inc. | Filipino | 223,460,184 | 14.73% |
| Velarde, Inc | Filipino | 200,771,545 | 13.23% |
| Foodcamp Industries & Marketing, Inc. | Filipino | 91,755,738 | 6.05% |
| Joyce Link Holdings, Limited | British | 86,458,552 | 5.70% |
| PCD Nominee Corp – Non-Filipino | Foreign | 12,119,000 | 0.80% |
| Chua, Robert S. | Filipino | 2,250,000 | 0.15% |
| Chua Co Kiong, William N. | Filipino | 145,000 | 0.01% |
| De Leon, Jose Mari S. | Filipino | 10,000 | 0.0007% |
| Espinosa, Joseph | Filipino | 10,000 | 0.0007% |
| Diata, Juditha G. | Filipino | 10,000 | 0.0007% |
| Tareno, Maria Guia I. | Filipino | 10,000 | 0.0007% |
| Serania, Virginia P. | Filipino | 10,000 | 0.0007% |
| Francisco, Richard L. | Filipino | 10,000 | 0.0007% |
| Bocabil, Alben B. | Filipino | 10,000 | 0.0007% |
| Dela Cuesta, Karlo S. | Filipino | 10,000 | 0.0007% |
| Ligutan, Eninias P. | Filipino | 10,000 | 0.0007% |
| Pagudar, Venus B. | Filipino | 10,000 | 0.0007% |
| Others | Filipino | 214,179 | .014% |
| **TOTAL** | | **1,517,278,350** | **100.00%** |

**Dividends**

No cash dividends were declared in the past two (2) 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.

**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 2015**

Now Corporation plans to launch two of its creations: (a) the "NOW Broadband Cable TV" a guaranteed broadband Internet service with Wireless Cable TV, and (b) the "NOWPlanet.TV" a digital media platform as a product that converges free TV, web channels, cloud services and other interactive services.

The Company's planned broadband Internet service shall offer guaranteed speeds with wireless cable TV broadcast and cloud services.

Its planned launch signals the Company's mission to achieve true convergence thru the following features simultaneously: (a) browsing 24x7 Internet throughput at guaranteed speed, (b) watching their favorite shows from free TV such VHF and UHF signals (c) interacting with web channels such as TED Talks, YouTube, Facebook, Twitter, Instagram, etc. (d) playing high definition, fast motion networked games; (e) using cloud services such as e-mail, task, calendar, files, community collaboration, video chat, document management with one terabyte of storage per customer, (f) watching, streaming or downloading high-definition videos and 4k/6k/8k films, (g) making phone calls on Skype and live video conference to as many as 200 participants per session — all with the flexibility of using any device such as regular or 4k TVs, desktops, laptops, tablets and smartphones.

**Plans and prospects for 2014**

i-Resource Consulting International, Inc. aims to increase its revenue by promoting other services such as Managed Services and Train and Deploy. These services are expected to contribute to significant growth in the number of deployed personnel, translating in turn to continuous and long-term recurring profit generating activities for the said company.

i-Professional Search Network, Inc. is currently applying for all necessary government permits in order for it to operate and offer its search and select service. The increasing demand for direct placement service is expected to bring considerable revenue to the company.

In partnership with AIJC, the Company is developing the K-12 Channel, which is a platform for clarifying issues and concerns about the K to 12 Basic Education Program. The K-12 Channel is about enabling digital learners to learn to optimize technology and create for themselves opportunities for entrepreneurship, employment, or higher educational pursuit. It will also retool teachers to become effective digital learning facilitators by using new media technologies for innovative and creative pedagogies. The K-12 Channel will be launched in the fourth quarter of 2014. Among others, the K-12 Channel will:

1. Inform and educate on policies, objectives, principles, features of the K to 12 Program
2. Clarify issues and concerns
3. Dialogue on relevant issues and concerns
4. Provide continuing updates; accomplishment/progress reports
5. Demonstrate best practices on school management, teaching, learning materials development, assessment, and others.

For 2014, the Company is focusing on the brand development of WebsiteExpress, with the objective of improving sales conversion from 1.6% to 10%. To achieve this, sales funnel must be improved and shortened through product and pricing restructuring as well as development of standard operating procedures. To manage operating expenses, marketing milestones and activities that support the above key tactics, will be limited to (1.) Internet Marketing via SEO, SEM, email and social media initiatives and (2.) Guerrilla marketing through localized on-ground promotions and brand advocacy program via digital influencers. Expansion efforts will be to increase 2-3 kiosks. Short term sales programs such as door-to-door direct sales, a reseller program and incentive programs will be utilized to maximize sales while the influx of leads is still in its infancy stages.

The Digital Media Division of the Company also aims to expand its reach of new clients by launching aggressive marketing campaigns, both offline and online. The group shall also focus on keeping existing clients boosting its group's profitability while maintaining a lean team of developers and designers.

**Key Performance Indicators**

| | | | |
|---|---|---|---|
| Profitability | Profit Margin | 4.54% | |
| | Return on Assets | 0.35% | |
| | Return on Equity | 0.48% | |
| | Book Value per share | 0.8220 | |
| | Earnings per share | 0.0040 | |
| Liquidity | Current Ratio | 0.134 | |
| Debt to Equity | Debt to Equity Ratio | 0.384 | |
| Asset to Equity | Asset to Equity Ratio | 1.384 | |
| Interest | Interest Rate Coverage Ratio | 6.40 | |

The Key Performance Indicators are computed as follows:

Profitability:

Profit margin = Net Income / Total Revenue x 100

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

Liquidity:
Current Ratio = Current Assets / Current Liabilities

Debt to Equity:
Debt to Equity Ratio=Total Liabilities/Total Stockholders' Equity
Asset to Equity Ratio = Total Assets / Total Stockholders' Equity
Interest rate coverage ratio = EBIT / Interest Expense

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.

The Company has started to establish teams to supports its business process outsourcing pursuits. It has also put up its own operations and back-end processes through service outsourcing. Management personnel are being sourced from a cooperative of professionals.

The Company is also working together with IMX Broadband, Inc. for purposes of research and development in connection with the plan to expand the Company's existing information technology platform in order to introduce related products and services and integrating wireless communication technologies.

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) to the Company effective until March 9, 2007. The registration allows the Company to operate and maintain VOIP service in all cities and municipalities nationwide. The original registration was until March 9, 2007 renewed until March 8, 2014. On 6 March 2014, the Company filed its application to renew its registration with NTC.

On December 18, 2008, the Company signed a Development Partnership Agreement with REWSS A/S, a Danish based company with an operations and development hub in the Philippines, and NOW Telecom, a MTS (mobile telephone system) operator in the Philippines. REWSS A/S provides Network Business Intelligence (NBI) software solutions for operators worldwide with clients in the USA, Europe, Africa and Asia for various network technologies including CDMA, GSM and UMTS (2G and 3G). Using NOW Telecom's network infrastructure, REWSS A/S will develop its REWS Stools for the iDEN Motorola technology. The Company will handle the project management role and use the end solution for iDEN in handling NOW Telecom's Network Operations Center.

**Information on Independent Accountant**

The auditing firm of SGV & Co. is the incumbent external auditor of the Company for the calendar year 2015 and is being recommended for re-appointment for the current year.

**Audit and Audit Fees**

The aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the external auditor for the audit of the Company's annual financial statements is Php224,000.00 for 2015, Php224,000.00 for 2014 and Php220,000.00 for 2013.

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 2015**

The consolidated revenue for the year 2015 is Php115.394 Million, there is a significant increase of Php41.614 Million or 56% from last year's Php73.779 Million. The increase is contributed largely by an increase in revenue from IT Service Fees. Revenue from IT Service Fees increased to Php67.108 Million in 2015 from Php47.031 Million in 2014. Company's sales from IBM licenses and other services also increased by Php21.538 Million or 80%, the sales increased to Php48.286 Million this year from last year's Php26.748 Million.

The Operating Expenses is Php33.049. Million in 2015 and Php50.058 Million in 2014. There is significant decrease by Php17.009 Million or 34% in 2015 as compared to 2014 due to decrease in Interest expenses from Php19.001 Million in 2014 down to Php1.054 Million in 2015. General and Administrative Expenses and Other Expenses increased by Php569K and Php370K respectively.

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

As of December 31, 2015, the total consolidated assets of the Company stood at Php1.498 Billion compared with last year's Php1.454 Billion, an increase by Php43.801 Million or 3%. Current Assets increased by Php47.092 Million or 36%, from Php129.804 Million in 2014 to Php176.896 Million in 2015. The increase in Current assets was a result of an increase in Cash from Php2.007 Million in 2014 to Php15.980 Million in 2015. There is an increase in trade receivables from Php51.803 in 2014 to Php81.788 in 2015. There is an increase also in Amounts Owed by Related Parties and other current assets from Php75.995 in 2014 to Php79.128 in 2015. Non-current Assets decreased by Php3.289 Million due to decrease in Property and Equipment and other Non-Current Assets by Php3.202 Million and Php87K respectively.

Current liabilities increased by Php252.865 Million or 85%, from php136.076 Million for 2014 to Php388.941 Million for 2015. The increase is due to the reclassification of a Php44,5 Million bank loan from long term to current. Accounts Payable and accrued expenses also increase from Php120.397 Million to Php132.927. However, Amounts Owed from Related Parties increased by Php196.51 Million. And Obligation under finance lease become zero this year from Php675K last year. Non-current Liabilities on the other hand decreased significantly by Php414.283 Million or 93% decreased due to the reclassification of a Php44.5 Million bank loan from long term to current as stated above. And a decrease in Due to related parties from Php396.3Million in 2014 to Php26.5 Million in 2015.

Total Assets as of December 31, 2015 stood at Php1.498 Billion, with Liabilities at Php415 Million and Equity at Php1.083 Billion.

**Year 2014**

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

The Operating Expenses is Php50.058 Million in 2014 and Php95.670 Million in 2013. There is significant decrease by Php45.612 Million or 48% in 2014 as compared to 2013. The decrease in operating expenses was brought about largely by decrease on contracted outside services amounting to Php22.382 Million or 88%. This is inclusive of manpower reduction for cost efficiency measures. Interest Expense decreased by Php19.369 Million or 50% due to a restructured advances from an affiliate. The savings on the following cost line items for 2014 as against 2013 were due to cost efficiency measures, such as: Utilities decreased by Php2.745 Million or 68%; Professional fees decreased by Php2.533 Million or 65%; Communication decreased by Php2.448 Million or 46%; Rental decreased by Php399K or 12% and, others decreased by Php853K or 11%. Depreciation and Amortization decreased by Php1.160 Million or 19% is due to retirement of some assets. However, there is increase by Php6,278 Million or 706% in Impairment loss in 2014 as compared to 2013. The company provided an allowance for impairment of receivables and other assets Php7.167M in 2014, while in 2013 was Php889K.

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

As of December 31, 2014, the total consolidated assets of the Company stood at Php1.455 Billion compared with last year's Php1.445 Billion, an increase by Php9.684 Million or 1%. Current Assets increased by Php14.742 Million or 13%, from Php115.062 Million in 2013 to Php129.804 Million in 2014. The increase in Current assets was a result if an increase in trade receivables by Php6.808 Million or 15%. There was an increase in Amounts Owed by Related Parties by Php17.011 Million or 31%, while Cash account and Other Current Assets decreased by Php7.649M and Php1.527M, respectively. Non-current Assets decreased by Php5.058 Million attributed from a decrease in Property and Equipment and other Non-Current Assets by Php4.704 Million and Php353K.

Current liabilities increased by Php4.392 Million or 3%, from php134.630 Million of 2013 to Php139.023 Million of 2014. The variance is due to an increase in Amounts Owed from Related Parties by Php10.163 Million or 210%, and decrease in Accounts Payable as well as decrease in the Current portion of obligations under Finance Lease by Php3.437 Million and Php2.333 Million, respectively. Non-current Liabilities on the other hand increased by Php43.701 Million or 11% due to an increase in Amounts Owed from Related parties by Php44.377 Million or 13%. On the other hand, Non-current portion of Obligations under Finance Lease is zero in 2014 and Php675K in 2013.

Total Assets as of December 31, 2014 stood at Php1.455 Billion, with Liabilities at Php576.923 Million and Equity at Php877.625 Million.

**Year 2013**

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

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

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

Total Net income (loss) as of December 2013 is (Php87.2 Million) or Php50.9 Million less compared with last year of Php138.1 Million). This year's increase in revenue of 33.565M and the decrease of cost and expenses by 21.399M contributed the improved bottom line in 2013.

As of December 2013, the total consolidated assets of the Company stood at Php1.445 Billion compared with last year of Php1.428 Billion or an increase by Php16 Million. Current assets increased by

Php22.26M or 24% were due to the increase in Cash balance by Php8.19M, trade receivables by Php11.55M, increase in receivables by related parties by Php2.7M, while other current assets decreased by Php149.9K. . Non-current assets decreased by .041% or Php5.5M due to depreciation of Property and equipment.

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

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

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

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

**Year 2012**

Total Consolidated revenues generated in 2012 amounted to Php50.0 Million or 84% higher than last year's revenue of Php27.1M. The increase in Revenue was brought about by the following:

5. Revenues from IT products and services of Php24.8M was increased by 15% or Php3.1M from last year's revenue of Php21.7M;
6. Revenues from IT resource augmentation of Php19.0M was increased by more than five times (5x) or Php15.7M from last year's revenue of Php3.4M; and,
7. Management fees were increased by Php4.8M from last year of Php240K.

Operating expenses increased by 12% in 2011, the increase was attributed largely due to charges of Cost of services of Php37.29M, Outside services of Php56.2M for development activities to support its thrust to focus on providing high value ICT services and interest on advances from shareholders amounting to Php37.58M, and impairment loss of Php4.9M. Equity in net losses of associates of Php3.1M. Other operating expenses include Communications at Php7.4M, Depreciation at Php6.9M, transportation and travel at Php6.4M. Advertising and promotion at Php4.6M, was due to spending in advertising and promotional campaigns for the Nowplanet.TV Justice Watch, Teletech promotional campaign, banners and various printed campaign materials. Professional fees at Php5.3M, Light and Water at Php3.7M, Rental at Php3.7M and taxes and licenses of Php460K.

Total Net income (loss) as of December 2012 is (Php138.1 Million) or Php3.3M less compared with last year of (Php141.3 Million).

As of December 2012, the total consolidated assets of the Company stood at Php1.428 Billion compared with last year of Php1.415 Billion or an increase by Php12.957 Million. Current assets increased by Php17.5M or 23% to Php92.8M were due to the increase in trade receivables by Php11.3M, increase in advances by related parties by Php10.2M, while other current assets decreased by Php2.5M and Cash balance decreased by Php1.5M. However, non-current assets decreased by Php4.5M due to impairment of the Company's investment to Softrigger of Php3.8M that resulted in the decrease in investment in shares of stocks from Php1.297 Billion in 2011 to Php1.294 Billion in 2012.

Current liabilities decreased by Php157.9M were brought about by the reclassification to non-current liabilities of the advances owed to related parties amounting to Php272.6M. These advances were used to finance the working capital and investment requirement of the Company. In 2012, the Company restructured the loan extended by Velarde, Inc. from current liability to long-term liability and agreed further for the deferment on the accrual and payment of interest starting November 2012 while the Company is unable to pay but such period shall not exceed three (3) years.

In October 2012, the Company secured a loan from a commercial bank amounting to Php40.5M to finance the operational requirements of the Company. The Company has accessed $1.0M collateral from Velarde, Inc. which will be used for a peso loan from Metrobank with Velarde, Inc. providing collateral. It was agreed by the parties that the Company will pay the principal of the loan plus the effective interest rates ranging from 2.79% to 3.8% per annum. For providing the collateral to ICTV, the Company shall pay Velarde, Inc. with agreed reduced annual interest rate of 15% per annum of the principal amount of the loan.

Obligation under finance lease was likewise decreased by Php4.6M brought about by regular payments made to transportation vehicles under finance lease.

Total Consolidated Assets stood at Php1.428 billion, Liabilities at Php425.292 Million and Equity at Php1.003 Billion.

**Item 7. Financial Statements**

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

The audited financial statements for parent company are attached as **"Annex B".**

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

There had been no disagreements with SGV & 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**

***Thomas G. Aquino,*** *age 66, Filipino, Chairman of the Board of Directors***.** He was elected as Member of the Board of Directors on June 2, 2011. He is a Senior Fellow at the Center for Research and Communication, a multidisciplinary policy group of the University of Asia and the Pacific (UA&P). He is currently the President of NOW Telecom Company, Inc. (formerly Next Mobile, Inc.). He is also a member of the Board of Directors of Philippines National Construction Corporation, Zamboanga Development and Management Corporation, and iCollege of the Philippines, Inc. Dr. Aquino served as Senior Undersecretary of the Philippine Department of Trade and Industry and supervised the country's international trade promotion, trade negotiations under the World Trade Organization (WTO) and the ASEAN Free Trade Area (AFTA), as well as bilateral trade talks with the country's major economic trading partners. He also served as overall lead country negotiator for the Philippines in the Japan-Philippines Economic Partnership Agreement and was country representative to the High Level Task Force on Asean Economic Integration. For his government service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was a recipient of the Gawad Mabini Award with the rank of Grand Cross (or Kamanong) for distinguished service to the country both at home and abroad. Dr. Aquino obtained a Doctorate in Business Administration in 1980 from the IESE Business School University of Navarre in Spain, an MS in Industrial Economics in 1972 from the University of Asia and the Pacific, and an AB in Economics in 1970 from the School of Economics of the University of the Philippines.

***Mel V. Velarde,*** *age 52, Filipino, President and Member of the Board of Directors,* was elected Vice-Chairman of the Company's Board of Directors on June 2, 2006 and served as such until March 22, 2007 when he was elected as Chairman of the Board of Directors. On January 21, 2008, he resigned his chairmanship and was again elected as Vice Chairman of the Board until June 2, 2011. He was elected as President of the Company on June 13. 2011. Mr. Velarde is the Vice-Chairman and the Chairman of the Executive Committee of NOW Telecom Company Inc. (formerly Next Mobile, Inc.), and Chairman and President of The Velarde Group, Inc., and its affiliates. He served as Philippine Commissioner to the United Nations Educational, Scientific and Cultural Organizations (UNESCO) and Chairperson of the Committee on Science and Technology. Mr. Velarde has built a career in broadcasting, cable TV, telecommunications and information communications technology. He was former Executive Vice President and General Manager of Sky Cable, a cable TV company that became the largest in the Philippines. Mr. Velarde pursued his masteral studies in Business Economics at the University of Asia and the Pacific, and has taken Strategic Planning, Marketing and Finance at the Asian Institute of Management and at the University of Michigan. He completed the Owner/President Management Program at the Harvard Business School, Harvard University, Cambridge, Massachusetts.

***Jose S. Alejandro,*** *age 80, Filipino, Director,* served as Chairman of the Board of Directors of the Company on June 2, 2006 until March 22, 2007 when he resigned from said position and was elected as the Company's President. He served as President until January 21, 2008. Mr. Alejandro has also been a Member of the Board of Directors of NOW Telecom Company, Inc. (formerly Next Mobile, Inc.) since 1989 and he now serves as the Board's Chairman. He is a business and management professional and leader with over 25 years of corporate experience. He was the former President and CEO of East Asia Power Resources, a local publicly-listed independent power producer during the period of local economic crisis (1997-1999), Country Manager for the Power Systems Business of General Electric Co. (1987-1995), and Vice President - Marketing at GE Philippines, Inc. and General Manger of GE Appliance Co. In these capacities, he led the growth and success of this leading U.S. global diversified corporation in the Philippines. He holds a Bachelor of Arts and Bachelor of Law degrees from the Ateneo de Manila University, and is a member of the Philippine Bar.

***Marcelito R. Ordoñez,*** *age 62, American, Director,* was elected to this position on January 21, 2008. He worked with AB Capital & Investment Corporation for 19 years from 1981 to 2000. From 2000 to 2001, he was a member of the management team of ICTSI International, wherein he occupied the position of Vice-President for Finance. He is currently the Managing Director of ATR Kim-Eng Securities, Inc., one of the largest independent investment houses in the country today. He obtained his degree in Bachelor of Science, Major in Business Administration from the University of the Philippines and his Masters in Business Administration from Columbia University.

***Vicente Martin W. Araneta III***, *age 52, Filipino, Director,* was elected as member of the Board of Directors on March 13, 2012. Mr. Araneta is also a member of the Board of Directors and the Vice-President for Innovative Marketing of ActivAsia, Inc., a 360-degree marketing services company specializing in Out-of-Home, events, point-of-sale and channel activation, tourism marketing, sports marketing and creative services. He also serves as Director and President of Facilities, Inc. and as Chairman of Real Properties, Inc., the holding company of Facilities, Inc. and owner of the Palladium Subdivision. He is a member of the Mandaluyong Chamber of Commerce & Industry, Inc. and occupied various key positions including 1st Vice President-Director for the period 2004-2005. He is also a member of the Management Association of the Philippines and of the Chamber of Real Estate and Builders Associations, Inc. Mr. Araneta is a member of the Ateneo Alumni Association, Inc. and served as a member of its Board of Directors for the period 2005-2007 and 2009-2012. He is also the President of Ateneo, Inc. and a member since 2011 of the Philippine Association of Congress Exhibitors/ Organizers & Suppliers, Inc. (PACEOS). He is the incorporator of the Mandaluyong Business Foundation. Mr. Araneta also served as Director for the period 2004 to 2005 of the Philippine Science High School Foundation. He was also the Executive Director of North Philippines Visitors Bureau, Inc. for the period July 2008 to July 2010.

***Gerard Bnn R. Bautista,*** *age 52 Filipino, Director,* was elected as a member of the Board of Directors on June 6, 2013. He is also currently the Chairman of the University of Baguio Foundation. He is a partner in BNN Bautista Associates, an Architecture & Planning firm established in 1969, and the President of Eduplan Philippines, Inc., a leading educational pre-need insurance company. He is a Charter Member of the Rotary Club of Makati, Greenbelt. He is also currently a member of various associations, namely, the Harvard Architectural and Urban Society, the Harvard Club of the Phils., the Harvard Alumni Alliance for the Environment, the Harvard Alumni Entrepreneurs, the Philippine Jaycees Senate, Rockwell Club, the Porsche Club of the Philippines, and the Rockwell Club, Baguio Country Club. He served as President of the Makati Jaycees. He obtained his Bachelor of Science in Architecture in the University of the Philippines. In 1987, he obtained post graduate studies in Information Technology for Architects in the Ateneo de Manila University. In 2002, he obtained post graduate studies in Financial Forecasting in the Center for Research and Communications in Mandaluyong.

Likewise in 2002, he obtained post graduate studies in Finance for Senior Executives in the Asian Institute of Management in Makati City. He also obtained post graduate studies in Actual Planning and in School Planning and Design in Harvard University in Cambridge, Massachusetts.

***Eliseo M. Rio, Jr.,*** *Filipino, Independent Director,* was elected as member of the Board of Directors on June 4, 2015. Gen. Rio is a multi-awarded retired military officer with the rank of Brigadier General. He has held various key positions in the Armed Forces of the Philippines since 1968, and has established himself as one of the leading authorities in the Philippine telecommunication industry. Gen. Rio was selected as the "Most Outstanding Professional in the Field of Electronics and Communication for the Year 2002" by the Philippine Professional Regulation Commission, and awarded the Most Outstanding University of the East Alumnus in the Field of Engineering for the Year 2003. He has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Bachelor of Science degree in Electronics & Communication Engineering from the University of the East in the Philippines. He also has a degree in Electronic Industries from the Ateneo University in the Philippines.

***Marlou Buenafe Ubano*****,** *43 years old, Filipino, Independent Director*. Atty. Ubano was elected as a member of the Board of Directors on June 6, 2013. Atty. Ubano has been in practice of law for fifteen years. He is the Founding Partner of the Ubano Sianghio & Lozada Law Offices which was established in June 2002. He is currently a Governor of Integrated Bar of the Philippines – Western Visayas Region. He served as Assistant Secretary for Legal Affairs of the Philippine Department of Transportation and Communications from 2011 to 2013. He was the Commissioner of the Commission on Bar Discipline, Integrated Bar of the Philippines from 2005 to 2007. He also served as President of the Integrated Bar of the Philippines - Capiz Chapter from 2007 to 2009 and again in 2011, and as Deputy Governor of the Integrated Bar of the Philippines – Western Visayas Region from 2011 to 2013. Atty. Ubano was awarded the Presidential Plaque of Merit from the IBP National President in 2007, and a Plaque of Recognition as the Most Outstanding IBP Capiz President in 2009. Atty. Ubano is a Member of the Asean Law Association and the Intellectual Property Association of the Phils., Inc. He obtained his Bachelor's Degree in Law and Political Science in the University of the Philippines.

***Ramon Guillermo R. Tuazon***, *age 57, Filipino*. He has been nominated to sit on the Board of Directors of the Company to be elected during the Annual Stockholders' Meeting scheduled on 5 June 2014. Mr. Tuazon is also currently the President and Trustee of the Asian Institute of Journalism and Communication, Inc. (AIJC). He is also a member of the Board of Directors of the Singapore-based Asian Media Information Centre (AMIC). Since 2007, Mr. Tuazon was the Chairman of the Commission on Higher Education Technical Committee for Communication (TCC) and member of the CHED Technical Panel for Social Sciences and Communication. He serves as UNESCO Communication & Information Advisor. He also served UNESCO in various capacities: UNESCO Specialist for Myanmar (November 2012 - January 2014); representative of the UNESCO Regional Director to the UN Country Team in the Philippines (2010-2012). He has co-authored six books, co-edited 15 books/monographs, written over 10 handbooks/modules, published numerous articles in international and national books, journals, and monographs. Among his latest publications are: *Multidisciplinary Inquiry on the Culture of Impunity in the Killing of Journalists (2013), and Media and Information Literacy: Curriculum for Teachers* (UNESCO Paris, 2011). He has contributed in several international publications including *Media and Information Literacy and Intercultural Dialogue* (NORDICOM, 2013) and *Gender Sensitive Indicators for Media* (UNESCO, 2012). He was a peer reviewer for the recent UNESCO publication, *Global Media Information Literacy Assessment Framework: Country Readiness and Competencies* (2013). Mr. Tuazon completed his Master in Communication Management from the AIJC and Bachelor of Science in Commerce from UST where he also took graduate work in advertising.

***Angeline L. Macasaet,*** *age 43, Filipino, Director,* was elected as Member of the Board of Directors in 2009. She is a member of the Philippine Bar. She is also currently the Corporate Secretary, Chief Information Officer and Compliance Officer of the Company. She is also the Corporate Secretary of the various companies under the Velarde Group such as Velarde, Inc., Gamboa Holdings, Inc., Foodcamp Industries and Marketing, Inc., Emerald Investments, Inc., as well as enfranchised companies such as NOW Telecom Company, Inc., GHT Network, Inc., News and Entertainment Network, Inc., among many others. She ensures the compliance of these companies with all regulatory requirements as well as the legal requirements involving specific transactions. Her extensive engagement involves all forms of litigation and in all fora. She .also has extensive practice in the Securities and Exchange Commission, Philippine Stock Exchange, and the National Telecommunications Commission. In addition to litigation, Ms. Macasaet has corporate practice all the way to the more complex engagements of management buy-outs, corporate mergers and share swap.

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

**Independent Directors**

Atty. Marlou B. Ubano and Gen. Eliseo M. Rio, Jr. (Ret) are the two (2) independent directors of the Company.

**Management Team**

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

| | | |
|---|---|---|
| Thomas G. Aquino | - | Chairman of the Board (see above) |
| Jose S. Alejandro | - | Vice Chairman of the Board (see above) |
| Mel V. Velarde | - | President (see above) |
| Angeline L. Macasaet | - | Corporate Secretary (see above) |
| Vicente I. Peñanueva | - | Acting Treasurer (see above) |

**Non-executive Officers**

***D. Enrique O. Co****, age 47, Filipino, Legal Counsel,* served as Legal Counsel of the Company from January 2002 up to the present. He also served as the Corporate Secretary of the Company from 10 June 2004 until 30 August 2005 and from 1 November 2006 up to 21 January 2008. Upon the resignation of Atty. Carpio, he served as the Acting Corporate Secretary of the Company from August 1, 2008 until March 18, 2009. He is currently serving as Director and/or Corporate Secretary of several Philippine corporations. Atty. Co is also the Managing Partner of Co Ferrer & Ang-Co Law Offices. Atty. Co obtained his BS Business Administration (*cum laude*) and Law Degrees from the University of the Philippines.

**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**

None.

**Involvement in Certain Legal Proceeding**

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

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

This case is currently under mediation before the Bureau of Legal Affairs, Intellectual Property Case.

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

There are no pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject thereof have occurred during the past five (5) years up to the latest date that are material to evaluation. Neither is the registrant involved in any proceedings known to be contemplated by government authorities and any other entity.

There are no pending legal proceeding involving Bankruptcy Petition, Conviction by Final Judgment, or being subjected to any Order, Judgment or Decree, or Violation of a Securities or Commodities Law to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject thereof have occurred during the past five (5) years up to the latest date that are material to evaluation.

**Item 10. Executive Compensation**

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the ensuing year (2015) are as follows:

| ACTUAL | | | | |
|---|---|---|---|---|
| | | | **2015** | 2014 |
| | **COMPENSATION** | **OTHERS** | **TOTAL** | |
| A. Five (5) most highly compensated Executive Officers | **5,298,807.84** | **1,560,000.00** | **6,858,807.84** | 5,281742.51 |
| All directors and executive officers as a group unnamed | **475,354.73** | | **475,354.73** | 775,063.07 |

| **Projected 2016** | | | |
|---|---|---|---|
| | **COMPENSATION** | **OTHERS** | **TOTAL** |
| A. Five (5) most highly compensated Executive Officers | **5,451,588.24** | **1,560,000.00** | **7,011,588.24** |
| All directors and executive officers as a group unnamed | **475,354.73** | | **475,354.74** |

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

**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.

**Terms and Conditions of any Consultancy Contract or any Compensatory Plan or Arrangement between the Company and Executive Officers**

None.

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

None.

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

**Voting Securities and Principal Holders Thereof**

The Company has outstanding common shares totaling 1,517,278,350 shares as of March 31, 2016. All outstanding shares as of record date are entitled to notice and to vote, on a one-share-one vote basis.

**Security Ownership of Certain Record and Beneficial Owners**
**(More than 5% as of March 31, 2016)**

| Title of class | Name, Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percentage |
|---|---|---|---|---|---|
| Common | Top Mega Enterprises Limited<br>11/F Fortune House<br>61 Connaught Road Central, Hong Kong | Direct | Chinese | 377,035,951 | 24.84 |
| Common | PDC Nominee Corp. – Filipino | Direct | Filipino | 290,648,719 | 19.15 |
| Common | Gamboa Holdings, Inc.<br>Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City | Direct | Filipino | 247,188,482 | 16.29 |
| Common | Emerald Investments, Inc.<br>Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City | Direct | Filipino | 222,960,184 | 14.69 |
| Common | Velarde, Inc.<br>Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City | Direct | Filipino | 200,771,545 | 13.23 |
| Common | Foodcamp Industries & Marketing, Inc.<br>Unit 5-I, 5th Flr., OPL Building, 100 C. Palanca St., Legaspi Village, Makati City | Direct | Filipino | 91,755,741 | 6.04 |
| Common | Joyce Link Holdings, Limited | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | 11/F Fortune House<br>61 Connaught Road Central, Hong Kong | Direct | British VI | 86,458,552 | 5.69 |

**Security Ownership of Directors and Management as of March 31, 2016**

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

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of class |
|---|---|---|---|---|
| Common | Thomas G. Aquino | 1 (Direct) | Filipino | <.01 |
| Common | Mel V. Velarde | 10 (Direct) | Filipino | <.01 |
| Common | Jose S. Alejandro | 10 (Direct) | Filipino | <.01 |
| Common | Marcelito R. Ordonez | 1 ((Direct) | American | <.01 |
| Common | Eliseo M. Rio, Jr. | 1 (Direct) | Filipino | <.01 |
| Common | Vicente Martin W. Araneta III | 1 (Direct) | Filipino | <.01 |
| Common | Marlou B. Ubano | 1 (Direct) | Filipino | <.01 |
| Common | Gerard Bnn R. Bautista | 1 (Direct) | Filipino | <.01 |
| Common | Ramon Guillermo R. Tuazon | 1 (Direct) | Filipino | <.01 |
| Common | Angeline L. Macasaet | 1 (Direct) | Filipino | <.01 |
| | Vicente I. Penanueva (Acting Treasurer) | 0 | Filipino | 0 |

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

**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:

| Related Party | Nature of Relationship | Nature of Transaction | Elements of Transactions | | | |
|---|---|---|---|---|---|---|
| | | | Balance Sheet | | Income Statement | |
| | | | 2015 | 2014 | 2015 | 2014 |
| IMX Broadband, Inc. | Associate | Loans & receivables<br>Interest Income | 26,563,678 | 26,096,645 | 467,033 | 467,033 |
| Gamboa Holding Inc. | | Payables | 2,130,591 | 2,130,591 | | |
| Emerald Investments, Inc. | Stockholder | Loans & Receivables<br>Payables | 40,848<br>2,902,918 | 40,848<br>2,902,918 | | |
| NOW Telecom Company, Inc. | Associate | Receivable<br>Payables<br>Investment | 31,408,455<br>749,806<br>1,289,278,350 | 23,720,567<br>621,406<br>1,289,278,350 | | |
| Velarde, Inc. | Stockholder | Loans & Receivables<br>Payables<br>Management Fee | 1,200,000<br>223,458,035 | 960,000<br>394,167,083 | 240,000 | 240,000 |
| Softweb | Associate | Deposit for Future | 5,000,000 | 5,000,000 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Consulting, Inc. | | Subscription | | | | |
| | | Loans &Receivable | 2,877,820 | 8,953,341 | | |
| | | Trade Receivables | 40,463,924 | 32,072,742 | | |
| | | Payables | 6,390,573 | 1,704,311 | | |
| | | Sales | | | 8,391,182 | 29,686,749 |
| | | Management Fee | | | | 4,800,000 |
| Holy Cow Animation, Inc. | Associate | Loans Receivable | 2,367,771 | 2,367,771 | | |
| Porteon SEA, Inc. | Associate | Loan Receivable | 2,160,300 | 2,160,300 | | |
| KPSC | Associate | Loans & Receivables<br>Payables | 204,708<br>19,719,161 | 202,548<br>26,207,689 | | |
| AIJC | Associate | Loans & Receivables | 470,022 | 472,683 | | |
| Paradiso Verde, Inc. | Associate | Payables | 3,963,674 | 8,913,970 | | |
| News and Entertainment Network Corporation | Associate | Loans & Receivables | 17,267,544 | 5,119,596 | 10,000,000 | |
| GHT Network, Inc. | Associate | Receivables | 16,200,180 | 5,000,000 | 10,000,000 | |
| I-College | Associate | Receivables<br>Payables | 720<br>3,876,300 | 2,945,987 | | |

The Company is working together with IMX Broadband, Inc. for purposes of research and development in connection with the plan to expand the Company's existing information technology platform in order to introduce related products and services and integrating wireless communication technologies.

In 2005, the Company entered into an agreement to promote and market the telecommunications services of NOW Telecom Company, Inc., formerly Next Mobile, Inc., (NOW Telecom) to the Company's clients for a period of three (3) years until May 2008. In consideration thereof, the Company billed NOW Telecom P5.0 million in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NOW Telecom's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement is effective until October 2006. A success fee of P850,000 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained will be paid by NOW Telecom. In 2006, the Company billed NOW Telecom P3.1 million for its services.

In 2007, Emerald Investments, Inc. (EII) a stockholder of the Company gave non-interest bearing advances to the Company to fund the working capital requirement of the Company.

In 2008, the Company entered into an agreement with Emerald Investments, Inc. (EII) for the lease of a 270 square meter condominium unit in Makati. The lease shall be for four (4) years, commencing on January 1, 2008 ending on December 31, 2011. On January 28, 2009, the Company and EII amended the Sub-Lease Agreement to the effect that the monthly rental from January 1 to December 31, 2008 be reduced from ₱400 to ₱ 100 per square meter, for a total monthly rental of ₱27,000. The parties shall annually review the monthly rental as prevailing circumstances may necessitate.

On November 17, 2008, Velarde, Inc. (Velarde) appointed the Company as Financial Advisor and Arranger in relation to Velarde's interest in selling part or all of its shareholdings in Altimax Broadcasting Co., Inc.

The engagement is for a limited period of six months only. Income earned from this engagement amounted to ₱ 600,000.

On October 12, 2009, Velarde, Inc., appointed the Company as Financial Advisor and Arranger in relation to Velarde Inc.'s objective of acquiring equity interest in companies in the telecoms, media, and information technology (TMT) space. The engagement is for a limited period of nine (9) months only. Income earned from this engagement amounted to Php3,000,000.00.

## PART IV – CORPORATE GOVERNANCE

**Item 13. Corporate Governance**

Please refer to attached Annual Corporate Governance Report (**Annex "C"**)

## PART V - EXHIBITS AND SCHEDULES

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

**(a) Exhibits**

The audited consolidated financial statements are attached as **"Annex A".** The audited financial statements for the Company are attached as **"Annex B".** The Annual Corporate Governance Report as **"Annex C"**. The Secretary's Certificate certifying the authorized signatories for the Statement of Management Responsibility is attached as **Annex "D"**.

**(b) Reports on SEC Form 17-C**

The following were the reports on SEC Form 17-C filed during the year:

| DATE | PARTICULARS |
|---|---|
| 22 January 2015 | Special Stockholders' Meeting wherein the stockholders approved the following:<br>1. Increase of the capital stock from Php1.32B to Php2.120B or an increase by Php800M;<br>2. Conversion of advances made by a shareholder, Velarde, Inc., in the amount of Php200M;<br>3. Application for listing with the PSE of the additional Php200M shares to be issued from the increase in authorized capital; and<br>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. |
| 28 April 2015 | Regular Meeting of the Board of Directors wherein the members approved the following:<br>1. Delegation of authority to the Chairman, or in his absence the Vice Chairman, and to the President to approve the 2014 Audited Financial Statements of the Company as prepared by its external auditors; and<br>2. Setting of record date on 13 May 2015 for the Company's annual stockholders meeting on 4 June 2015; |
| 04 June 2015 | Annual Meeting of the Stockholders; Election of Directors; Approval of the business plan for 2015 and the minutes of the annual stockholders' meeting held 22 January 2015; Approval of the 2014 Annual Report and the 2014 Audited Financial Statements; Ratification of the acts of the Board and officers since the last annual stockholders' meeting; Re-appointment of Sycip Gorres Velayo & Co. as external auditor |
| 30 June 2015 | Joint Organizational and Regular Meeting of the Company's Board of Directors wherein the Board elected its officers. |
| 10 December 2015 | Resignation of Atty. Rodrigo Joaquin H. Nepomuceno as member of the Board of Directors effective 10 December 2015. |

| | |
|---|---|
| 18 December 2015 | Receipt by the Company from the Commission of the following:<br>1. Certificate of Approval of Increase of Capital Stock certifying the in crease of capital stock 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;<br>2. Certificate of Filing of Amended Articles of Incorporation certifying the amendment of Article III (principal office) and Article VII (authorized capital stock). |

Quarterly Financial Reports (Form 17-Q) were submitted to the SEC for the quarter ending March, June and September 2015 on May 12 (SEC Form 17-Q for 1st Quarter), August 13 (SEC Form 17-Q for 2nd Quarter), and November 13 (SEC Form 17-Q for 3rd Quarter).

**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 Makati City on 28 April 2016.

By:

**MEL V. VELARDE**
President and CEO

**VICENTE I. PEÑANUEVA**
Acting Treasurer

**ANGELINE L. MACASAET**
Corporate Secretary/ Compliance Officer

**SUBSCRIBED AND SWORN** to before me this 28th day of April 2016 APR 2 9 2016 affiants exhibiting to me their respective competent evidence of identity, as follows:

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

Doc. No. 54;
Page No. 12;
Book. No. 155;
Series of 2016.

ATTY. ROBERT N. LUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20 Makati City
IBP #1009529 for 2016 Sept. 24 2015-RSM
PTR #5321594 Jan. 04 2016-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439 9 March 2016
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

ANNEX A

# NOW Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014
and Years Ended December 31, 2015, 2014
and 2013

and

Independent Auditors' Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors
NOW Corporation

We have audited the accompanying consolidated financial statements of NOW Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015 and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NOW Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-A (Group A),
April 8, 2014, valid until April 7, 2017
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001988-103-2014,
March 10, 2014, valid until March 9, 2017
PTR No. 5321642, January 4, 2016, Makati City

April 29, 2016

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

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | **₱15,979,672** | ₱2,006,757 |
| Trade and other receivables (Note 4) | **81,788,408** | 51,802,863 |
| Due from related parties (Note 9) | **48,386,597** | 71,922,528 |
| Other current assets (Note 5) | **4,178,091** | 4,072,120 |
| **Total Current Assets** | **150,332,768** | 129,804,268 |
| **Noncurrent Assets** | | |
| Investments and advances (Note 6) | **1,317,871,168** | 1,317,871,168 |
| Due from related parties (Note 9) | **26,563,678** | – |
| Property and equipment (Note 7) | **3,250,507** | 6,452,203 |
| Other noncurrent assets - net of accumulated amortization of computer software amounting to ₱996,466 and ₱869,562 as of December 31, 2015 and 2014, respectively | **333,964** | 421,064 |
| **Total Noncurrent Assets** | **1,348,019,317** | 1,324,744,435 |
| **TOTAL ASSETS** | **₱1,498,352,085** | ₱1,454,548,703 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses (Note 8) | **₱132,927,061** | ₱120,396,613 |
| Due to related parties (Note 9) | **238,078,380** | 15,004,596 |
| Loans payable (Note 11) | **44,500,000** | – |
| Obligations under finance lease (Note 10) | – | 675,433 |
| **Total Current Liabilities** | **415,505,441** | 136,076,642 |
| **Noncurrent Liabilities** | | |
| Loans payable (Note 11) | – | 44,500,000 |
| Due to related parties (Note 9) | – | 396,346,616 |
| **Total Noncurrent Liabilities** | – | 440,846,616 |
| **Total Liabilities** | **415,505,441** | 576,923,258 |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Common stock (Note 12) | **1,517,278,350** | 1,317,278,350 |
| Deficit | **(430,450,658)** | (435,687,362) |
| Cumulative translation adjustment | **1,149,988** | 1,164,222 |
| | **1,087,977,680** | 882,755,210 |
| **Non-controlling Interest** | **(5,131,036)** | (5,129,765) |
| **Total Equity** | **1,082,846,644** | 877,625,445 |
| **TOTAL LIABILITIES AND EQUITY** | **₱1,498,352,085** | ₱1,454,548,703 |

*See accompanying Notes to Consolidated Financial Statements.*

# NOW CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **REVENUES** | | | |
| Service fees (Note 9) | **₱67,108,027** | ₱47,031,476 | ₱53,320,073 |
| Sales | **47,331,371** | 21,235,363 | 20,486,141 |
| Others | **954,483** | 5,512,549 | 5,511,820 |
| | **115,393,881** | 73,779,388 | 79,318,034 |
| **COSTS OF SALES AND SERVICES** (Note 13) | **75,600,352** | 62,075,681 | 70,853,193 |
| **GROSS INCOME** | **39,793,529** | 11,703,707 | 8,464,841 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 14) | **31,211,830** | 30,642,787 | 56,628,762 |
| **OTHER CHARGES** | | | |
| Interest expenses (Notes 9, 10 and 11) | **1,053,844** | 19,001,068 | 38,369,677 |
| Others | **783,532** | 413,710 | 671,158 |
| | **1,837,376** | 19,414,778 | 39,040,835 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **6,744,323** | (38,353,858) | (87,204,756) |
| **PROVISION FOR CURRENT INCOME TAX** (Note 15) | **1,508,890** | 128,612 | 29,295 |
| **NET INCOME (LOSS)** | **₱5,235,433** | (₱38,482,470) | (₱87,234,051) |
| **NET INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent | **₱5,236,704** | (₱38,482,470) | (₱87,233,678) |
| Non-controlling interests | **(1,271)** | – | (373) |
| | **₱5,235,433** | (₱38,482,470) | (₱87,234,051) |
| **Basic/Diluted Earnings (Loss) Per Share** (Note 16) | **₱0.0040** | (₱0.0292) | (₱0.0662) |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **NET INCOME (LOSS)** | **₱5,235,433** | (₱38,482,470) | (₱87,234,051) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Item that will be reclassified to profit or loss in subsequent periods:* | | | |
| Cumulative translation adjustments | **(14,234)** | 72,365 | 447,018 |
| **TOTAL COMPREHENSIVE LOSS** | **₱5,221,199** | (₱38,410,105) | (₱86,787,033) |
| **TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent | **₱5,222,470** | (₱38,410,105) | (₱86,786,660) |
| Non-controlling interests | **(1,271)** | – | (373) |
| | **₱5,221,199** | (₱38,410,105) | (₱86,787,033) |

*See accompanying Notes to Consolidated Financial Statements.*

## NOW CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

| | Attributable to Equity Holders of the Parent | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Deficit | Cumulative Translation Adjustment | Total | Non-controlling Interest | Total |
| Balances at January 1, 2013 | ₱1,317,278,350 | (₱309,971,214) | ₱644,839 | ₱1,007,951,975 | (₱5,129,392) | ₱1,002,822,583 |
| Total comprehensive loss | – | (87,233,678) | 447,018 | (86,786,660) | (373) | (86,787,033) |
| Balances at December 31, 2013 | 1,317,278,350 | (397,204,892) | 1,091,857 | 921,165,315 | (5,129,765) | 916,035,550 |
| Total comprehensive loss | – | (38,482,470) | 72,365 | (38,410,105) | – | (38,410,105) |
| Balances at December 31, 2014 | 1,317,278,350 | (435,687,362) | 1,164,222 | 882,755,210 | (5,129,765) | 877,625,445 |
| Total comprehensive income | – | 5,236,704 | (14,234) | 5,222,470 | (1,271) | 5,221,199 |
| Issuance of Parent Company's capital stock (Note 12) | 200,000,000 | – | – | 200,000,000 | – | 200,000,000 |
| Balances at December 31, 2015 | ₱1,517,278,350 | (₱430,450,658) | ₱1,149,988 | ₱1,087,977,680 | (₱5,131,036) | ₱1,082,846,644 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **₱6,744,323** | (₱38,353,858) | (₱87,204,756) |
| Adjustments for: | | | |
| Provision for impairment losses on: | | | |
| Trade and other receivables (Notes 4 and 14) | **4,033,832** | 6,619,366 | 888,958 |
| Other current assets (Notes 5 and 14) | **158,767** | 547,503 | – |
| Depreciation and amortization (Notes 7 and 14) | **3,567,678** | 4,986,825 | 6,147,237 |
| Interest and other charges (Notes 9, 10 and 11) | **1,053,844** | 19,001,068 | 38,369,677 |
| Interest income | **(711,418)** | (472,549) | (471,820) |
| Unrealized foreign exchange loss | **–** | – | 262,504 |
| Loss on disposal of property and equipment | **–** | – | 50,024 |
| Operating income (loss) before working capital changes | **₱14,847,026** | (7,671,645) | (41,958,176) |
| Decrease (increase) in: | | | |
| Trade and other receivables | **(34,019,377)** | (13,427,597) | (12,350,699) |
| Other current assets | **(105,971)** | 852,523 | 150,446 |
| Increase (decrease) in accounts payable and accrued expenses | **11,744,986** | (3,432,157) | 24,360,590 |
| Net cash used in operations | **(7,533,336)** | (23,678,876) | (29,797,839) |
| Interest received | **7,607** | 5,516 | 4,787 |
| Income taxes paid | **(1,508,890)** | – | (3,842) |
| Interest paid | **(965,588)** | (992,688) | (1,989,110) |
| Net cash flows used in operating activities | **(10,000,207)** | (24,666,048) | (31,786,004) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease (increase) in: | | | |
| Due from related parties | **(2,323,936)** | (16,643,532) | (2,207,708) |
| Other noncurrent assets | **(193,403)** | 152,420 | (146,785) |
| Additions to property and equipment (Note 7) | **(239,078)** | (80,876) | (528,234) |
| Net cash flows used in investing activities | **(2,756,417)** | (16,571,988) | (2,882,727) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Due to related parties | **26,727,168** | 33,588,436 | 38,852,973 |
| Proceeds from loan availment | – | – | 4,000,000 |
| Cash flows from financing activities | **26,727,168** | 33,588,436 | 42,852,973 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | **2,371** | 571 | 4,392 |
| **NET INCREASE (DECREASE) IN CASH** | **13,972,915** | (7,649,029) | 8,188,634 |
| **CASH AT BEGINNING OF YEAR** | **2,006,757** | 9,655,786 | 1,467,152 |
| **CASH AT END OF YEAR** | **₱15,979,672** | ₱2,006,757 | ₱9,655,786 |

*See accompanying Notes to Consolidated Financial Statements.*

# NOW CORPORATION AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

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

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

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

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

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

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

Certificates and Memorandum of Understanding and Agreements
On March 22, 2005, a Memorandum of Agreement (MOA) was executed by AIB and Gamboa Holdings, Inc. (GHI), whereby AIB agreed to sell and GHI agreed to purchase 18,171,286 shares of the Parent Company at an or aggregate purchase price of ₱74,395,000. The sale of the Parent Company's shares becomes effective on August 20, 2005 resulting to a 66.67% ownership interest of GHI in the Parent Company.

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

The Company has no regular employees as of December 31, 2015 and 2014. Its administrative functions are being handled by personnel of Knowledge Professionals Service Cooperative (KPSC) (see Note 9).

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

Authorization for Issuance

In the April 29, 2016 Regular BOD Meeting, the BOD delegated to the Chairman, or in his absence the Vice-Chairman, and President the authority to approve the issuance of the consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015.

The consolidated financial statements of the Group as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue by the Chairman and President on April 29, 2016.

## 2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015:

| | Year of Incorporation | Nature of Business | Percentage of Ownership | | |
|---|---|---|---|---|---|
| | | | **2015** | 2014 | 2013 |
| J-Span IT Services, Inc. (JSIT) | 2011 | Service | **100%** | 100% | 100% |
| Porteon SEA, Inc. (Porteon)[1]* | 2011 | Manufacturing | **100%** | 100% | 100% |
| I-Resource Consulting International, Inc. (IRCII) | 2011 | Service | **100%** | 100% | 100% |
| I-Professional Search Network, Inc.(I-Professional) * | 2012 | Service | **100%** | 100% | 100% |
| Softrigger Interactive, Inc. (SII) | 2000 | Service | **67%** | 67% | 67% |

** Not yet started commercial operations as of December 31, 2015.*

Except for JSIT, which was incorporated in Japan, all the subsidiaries were incorporated in the Philippines.

The Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling interest represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the profit or loss and within equity in the consolidated financial position, separately, from the equity attributable to equity holders of the parent of the Group. Transactions with non-controlling interests are accounted for as equity holders transactions. Any excess or deficit of consideration paid over the carrying amount of non-controlling interest acquired is recognized in equity of the Group.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015. The nature and the impact of each new standard and amendment are described below:

Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group since the Group does not have defined benefit plans with contributions from employees or third parties.

*Annual Improvements to PFRSs 2010-2012 Cycle*

These improvements are effective from July 1, 2014. Unless otherwise stated, these amendments have no impact on the consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Finanancial Instruments,* if early adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (i.e., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

This improvement has no impact on the Group since the reconciliation of segment assets to total assets have been consistently disclosed in prior years as this is reported to the BOD, the Group's chief operating decision maker.

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The adoption of this amendment did not have any impact in the consolidated financial statements as the Group's property and equipment and intangible assets are not carried at revalued amounts.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

*Annual Improvements to PFRSs (2011-2013 Cycle)*
These improvements are effective from July 1, 2014. Unless otherwise stated, these amendments have no impact on the consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is classified as current when:

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

The Group classifies all other liabilities as noncurrent.

Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets under PAS 39, are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2015 and 2014, the Group has no outstanding financial assets at FVPL and HTM investments.

Under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2015 and 2014, the Group has no outstanding financial liabilities at FVPL.

*Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated at FVPL. This accounting policy relates to "Cash", "Trade and other receivables" and "Due from related parties" accounts in the consolidated statement of financial position.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment of loans and receivables are recognized in the profit or loss.

*AFS Financial Assets*
AFS financial assets are those investments which are designated as such or do not qualify to be classified as designated as FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as a separate account (net of tax where applicable) in the equity section of the consolidated statement of financial position.

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

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the profit or loss. Dividends earned on holding AFS financial assets are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses in the profit and loss.

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

*Other Financial Liabilities*
Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Due to related parties", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by accounting standards, such as income tax payable).

<u>Fair Value Measurement</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of Financial Assets
*Carried at Amortized Cost*
The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

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

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

*AFS Financial Assets Carried at Cost*
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

<u>Derecognition of Financial Assets and Liabilities</u>
*Financial Assets*
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in equity is recognized in the profit or loss.

*Financial Liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investment in Associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax. When our share of losses exceeds our interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that we have an obligation or have made payments on behalf of the investee. The consolidated financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as "Equity in net earnings of an associate" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

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

| | Years |
|---|---|
| Transportation equipment | 5 |
| Office equipment | 2 |
| Furniture and fixtures | 2 |

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

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

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

Computer Software

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

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

Impairment of Nonfinancial Assets

*Property and Equipment and Other Nonfinancial Assets*

The Group assesses at each reporting date whether there is an indication that its property and equipment and other nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired nonfinancial asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

*Investment in Associate*
The Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in associate. The Group determines at each financial reporting date whether there is any objective evidence that these investments are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the subsidiary and associate and its respective acquisition costs and recognizes the impairment in the profit or loss.

<u>Common Stock</u>
The Group has issued capital stocks that are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of share over the par value are credited to share premium.

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

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Goods*
Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyers and the amount of revenue can be measured reliably. Net sales is measured at the fair value of the consideration received, excluding sales taxes, discounts, returns and rebates, if any.

*Service, Marketing, Management and Consultancy Fees*
Fees are recognized when the related services have been rendered.

*Interest*
Interest income is recognized as interest accrues using the effective interest method.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when the services are used or the expenses are incurred.

*Cost of Sales*
Cost of sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer upon delivery.

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

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

Income Taxes
*Current Income Tax*
Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Income Tax*
Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits in the form of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and involves as assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

*Finance Lease Commitments - Group as Lessee*
Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the consolidated statement of comprehensive income.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

Provisions
Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

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

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

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

Future Changes in Accounting Policies
The Group will adopt the following standards and interpretations and assess their impact when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these standards and interpretations to have significant impact on its financial statements.

*Deferred*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine SEC and the Financial Reporting Standard Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Adoption of the interpretation when it becomes effective will not be applicable to the Group as it is not under the real estate industry.

*Effective January 1, 2016*

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are

effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

*Annual Improvements to PFRSs (2012-2014 cycle)*
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (i.e., in the management commentary or risk report).

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments*
  The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and the FRSC.

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

## 3. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

Judgments

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

*Determining Non-controlling Interest (NCI) that is Material to the Group*

The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of the activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in Softrigger is not material to the Group.

*Determining Significant Influence over an Associate*

The Group considers its 50% equity interest in Softweb as investment in an associate. Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of the Group over Softweb. The Group has determined that it has significant influence, but no control, over the financial and operating policy decisions over Softweb due to the following:

- Representation on the BOD;
- Participation on policy-making processes, including participation in decisions about dividends and other distribution;
- Material transactions between the investor and investee; and
- Interchange of managerial personnel.

Further, the Group concluded that it has no significant influence in the operating and financial policy decision of Now Telecom for its 19% ownership. Thus, the investment in Now Telecom is not considered an associate.

*Operating Lease - Group as Lessee*
The Group has entered into a commercial property lease on its office. The Group has determined that it does not retain all the significant risks and rewards of ownership of the properties which are leased under operating lease arrangements.

*Finance Lease Commitments - Group as Lessee*
The Group has entered into leases of transportation equipment. The Group has determined that these leases are finance leases since the significant risks and rewards of ownership related to these properties are transferred to the Group from the date of the lease agreement.

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

*Estimating Allowance for Impairment of Trade and Other Receivables and Due from Related Parties*
The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as on historical loss experience. Allowance for impairment loss is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of action. The Group recognized provision on impairment loss on receivables amounting to ₱4,033,832, ₱6,619,366 and ₱888,958 in 2015, 2014 and 2013, respectively (see Notes 4 and 14).

Trade and other receivables and due from related parties amounted to ₱156,738,683 and ₱123,725,391 as of December 31, 2015 and 2014, respectively (see Notes 4 and 9).

*Estimating Impairment of Investment and Advances*
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or
- other valuation models.

Investment and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss was recognized on the investment and advances. The carrying amount of investment and advances amounted to ₱1,317,871,168 as of December 31, 2015 and 2014 (see Note 6).

*Estimating Useful Lives of Property and Equipment and Computer Software*
The Group estimates the useful lives of significant parts of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives of

property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Depreciation and amortization charged to operations amounted to ₱3,567,678, ₱4,986,825 and ₱6,147,237 for the years ended December 31, 2015, 2014 and 2013, respectively (see Notes 7 and 14). The aggregate net book values of property and equipment and computer software amounted to ₱3,381,640 and ₱6,710,240 as of December 31, 2015 and 2014, respectively (see Note 7).

*Estimating Impairment of Property and Equipment, Computer Software and Creditable Withholding Taxes (CWTs)*
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. The Group recorded a provision for impairment on CWTs of ₱158,767, ₱547,503 and nil in 2015, 2014 and 2013, respectively (see Note 5). The aggregate carrying values of property and equipment, computer software and CWTs amounted to ₱7,284,468 and ₱10,085,978 as of December 31, 2015 and 2014, respectively (see Notes 5 and 7).

*Estimating Realizability of Deferred Income Tax Assets*
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group did not recognize deferred income tax assets on temporary differences and carryforward benefits of unused NOLCO and unused tax credits from excess MCIT amounting to ₱72,476,356, ₱149,899,799 and ₱216,390,321 in as of December 31, 2015, 2014 and 2013, respectively (see Note 15). The Group believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

## 4. Trade and Other Receivables

| | **2015** | 2014 |
|---|---|---|
| Trade receivables: | | |
| Related parties (Note 9) | **₱64,063,924** | ₱33,032,742 |
| Third parties | **27,446,304** | 20,935,910 |
| Advances to officers and personnel | **1,217,171** | 4,739,370 |
| Others (Note 9) | **2,211,771** | 2,211,771 |
| | **94,939,170** | 60,919,793 |
| Less allowance for impairment losses | **13,150,762** | 9,116,930 |
| | **₱81,788,408** | ₱51,802,863 |

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

Trade receivables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

In addition, the Group has an outstanding loan receivable from Holy Cow Animation, Inc. (Holy Cow) amounting to ₱2,211,771 as of December 31, 2015 and 2014 (see Note 9).

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

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

## 5. Other Current Assets

| | **2015** | 2014 |
|---|---|---|
| CWT (net of allowance for impairment losses amounting to ₱706,270 and ₱547,503 in 2015 and 2014, respectively) | **₱3,902,828** | ₱3,375,738 |
| Prepayments | **162,431** | 118,678 |
| Input VAT | **–** | 480,515 |
| Others | **112,832** | 97,189 |
| | **₱4,178,091** | ₱4,072,120 |

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

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

## 6. **Investments and Advances**

| | **2015** | 2014 |
|---|---|---|
| AFS financial assets | **₱1,289,278,350** | ₱1,289,278,350 |
| Advances | **28,592,818** | 28,592,818 |
| | **₱1,317,871,168** | ₱1,317,871,168 |

*Investment in Associate and Advances*

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

Softweb specializes in Lotus consulting and training services as well as comprehensive Domino working solutions. As an IBM partner, Softweb offers the full range of IBM services and licensed products integrated in its own list of business solutions, software development and training.

As at December 31, 2015 and 2014, the components of the carrying amounts of investment accounted for under the equity method are as follows:

| | |
|---|---|
| Acquisition cost | **₱6,000,000** |
| Equity in net losses | **(6,000,000)** |
| | **₱–** |

Pertinent financial information for Softweb as of December 31, 2015 and 2014 follow:

| | **2015** | 2014 |
|---|---|---|
| Total assets | **₱29,424,607** | ₱29,035,598 |
| Total liabilities | **62,166,813** | 63,071,159 |
| Total capital deficiency | **32,742,206** | 34,035,561 |
| Proportion of the Group's ownership | **50%** | 50% |
| Carrying amount of the investment | **–** | – |

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Revenue | **₱14,084,436** | ₱27,078,313 | ₱34,700,400 |
| Cost of sales | **14,697,914** | 21,425,033 | 29,496,364 |
| Expenses | **576,178** | 13,752,596 | 10,028,135 |
| Taxes | **103,699** | 314,294 | – |
| Net loss | **(1,293,355)** | (8,413,610) | (4,824,099) |

As of December 31, 2015 and 2014, the Group's share in loss of Softweb already exceeded the cost of investment. The Group only recognizes the loss to the extent of the cost of investment. Accordingly, the carrying amount of investment in Softweb as of December 31, 2015 and 2014 is nil. The Group does not have any legal or constructive obligation to make payments on behalf of Softweb.

b. *Thumbmob Philippines, Inc. and Holy Cow Animation, Inc.*
The Group entered into agreements with Thumbmob and Holy Cow for the subscription of Thumbmob and Holy Cow shares amounting to ₱23,592,818 in 2015 and 2014. Holy Cow is a full service animation studio that produces 2D, 3D, Flash and HTML5 animation and special effect animation for the media and entertainment business. Thumbmob develops, publishes, and distributes games and applications for social networking and mobile environments. It serves brands, businesses, and institutions.

These are currently recorded under "Investments and advances" in the consolidated statements of financial position pending the increase in the authorized capital stock of the investee companies. The applications for the increase in authorized capital stock are not yet filed with the SEC.

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

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

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

However, certain amendments were subsequently made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the Parent could not revise its primary purpose at that time. Hence, the stockholders approved the amendment in the MOA that there will be no change in the Parent Company's primary purpose. Moreover, the Parent Company's stockholders approved the change for the Parent Company to acquire 19% equity interest in NOW Telecom instead of the original plan to acquire 97% interest. As a result, the Group acquired 2,656,580 NOW Telecom shares, with par value of ₱1 for an aggregate value of ₱1,289,278,350 effectively at a price of ₱485.32 per share.

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

In September 2006, the SEC issued Certificate of Approval of Valuation of Shares of Stock of NOW Telecom and Certificate of Increase in Capital Stock of the Parent Company.

In 2008, the PSE approved the application for the listing of the additional ₱1,289,278,350 common shares to cover the share-for-share swap transactions with the NOW Telecom shareholders.

As of December 31, 2015 and 2014, the Group's investment in NOW Telecom amounted to ₱1,289,278,350.

## 7. Property and Equipment

**2015**

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

2014

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

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

Cost of fully depreciated assets still in use amounted to ₱16,757,039 and ₱4,679,362 in 2015 and 2014, respectively.

## 8. Accounts Payable and Accrued Expenses

| | **2015** | 2014 |
|---|---|---|
| Trade payables: | | |
| Third parties | **₱32,363,996** | ₱20,736,026 |
| Related parties (see Note 9) | **25,112,678** | 28,242,744 |
| Accrued expenses: | | |
| Interest (see Note 9) | **59,903,586** | 59,903,586 |
| Others | **8,826,227** | 7,908,775 |
| Deferred output VAT | **6,055,944** | 2,966,931 |
| Withholding tax payable | **664,630** | 638,551 |
| | **₱132,927,061** | ₱120,396,613 |

## 9. Related Party Transactions

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

In the normal course of business, the Group entered into transactions with related parties, principally consisting of the following:

a. In 2005, the Group entered into an agreement to promote and market the telecommunication services of NOW Telecom to the Group's clients. Amounts owed by NOW Telecom as of December 31, 2015 and 2014 amounted to ₱31,408,455 and ₱23,720,567 respectively.

b. On August 30, 2005, the Group entered into a Loan Agreement with IBI for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% interest per annum and is payable no later than August 30, 2010. Partial pre-payments on the principal may be made prior to this date. The interest is due and demandable only on maturity date. Interest was reduced by the parties to 5.5% per annum in 2007 and shall be subject to annual repricing subsequent to 2007.

   On June 25, 2010, both parties agreed to extend the maturity of the loan from August 30, 2010 to August 30, 2012. On August 31, 2012, both parties agreed to further extend the maturity of the loan up to August 30, 2015, with the interest rate further reduced to 3% per annum starting January 1, 2013. On August 31, 2015, both parties agreed to extend the maturity of the loan to 5 years ending August 30, 2020. Interest income amounted to ₱467,033 in 2015, 2014 and 2013. As of December 31, 2015 and 2014, amounts owed by IBI amounted ₱26,563,678 and ₱26,096,645, respectively. IBI is under common ownership with the Group.

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

d. On January 1, 2013, the Parent renewed its service agreement with KPSC for a period of 4 years beginning January 1, 2013 to December 31, 2016.

   Under the service agreement, KPSC shall provide consultancy and manpower services depending on the services specifically required by the Group. Amounts owed to KPSC, in relation to the service agreement, amounted to ₱19,719,161 and ₱26,207,689 as of December 31, 2015 and 2014, respectively. KPSC has cooperators who are also stockholders of the Group.

e. Amounts owed to related parties include interest bearing advances from Velarde, Inc. for working capital and investment requirements. Interest rate for these loans is at 18.0% per annum or 1.5% per month.

   On November 08, 2012, Velarde, Inc. has agreed to enter into an agreement with the Group for the deferment of outstanding of interest payable starting November 2012. Interest expense booked as an additional amounts owed to related party amounted to nil, ₱17,756,021 and ₱16,775,153 in 2015, 2014 and 2013, respectively.

   On January 22, 2015, Velarde, Inc. agreed to convert its advances amounting to ₱200,000,000 into equity interest in the Parent Company for 200,000,000 common shares with a par value of ₱1. It was further agreed that the remaining balances and subsequent advances from Velarde, Inc. shall be interest free (see Note 12).

   On April 14, 2016, Velarde, Inc. and the Group agreed to convert remaining advances amounting to ₱223,458,035 into additional equity interest in the Parent Company.

   Outstanding accrued interest presented as part of the "Accounts payable and accrued expenses" amounted to ₱59,903,586 as of December 31, 2015 and 2014 (see Note 8). Net amounts owed to Velarde, Inc. amounted to ₱223,458,035 and ₱394,167,083 as of December 31, 2015 and 2014, respectively.

f. The Group charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees charged to Softweb amounted to nil and ₱4,800,000 in 2015 and 2014, respectively. Management fees charged to Velarde, Inc. amounted to ₱240,000 in 2015 and 2014.

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

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

   Rent expense incurred by the Group amounted to ₱930,313 in 2015 and 2014.

i. In January 2015, the Group entered into service agreement with GHT Network, Inc. (GHT) and News and Entertainment Network, Inc. (Newsnet) to provide bandwidth services to its customers. The Group provided the infrastructure build-up and technology design and consultancy. Service revenue from GHT and Newsnet amounted to ₱10,000,000 each in 2015.

| Related parties | Category | Year | Transaction amount | Due from related parties | Trade and other receivables (see Note 4) | Due to related parties | Trade and other payables (see Note 8) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|---|
| *Shareholders* | | | | | | | | | |
| Velarde, Inc. | **Advances** | **2015** | **₱170,709,048** | **₱–** | **₱–** | **₱223,458,035** | **₱–** | **On demand** | **Unsecured** |
| | | 2014 | 45,143,729 | – | – | 394,167,083 | – | On demand | Unsecured |
| | **Management fee** | **2015** | **240,000** | **–** | **1,200,000** | **–** | **–** | **On demand** | **Unsecured** |
| | | 2014 | 240,000 | – | 960,000 | – | – | On demand | Unsecured |
| GHI | **Advances** | **2015** | **–** | **–** | **–** | **95,536** | **2,035,055** | **On demand** | **Unsecured** |
| | | 2014 | – | – | – | 95,536 | 2,035,055 | On demand | Unsecured |
| EII | **Advances** | **2015** | **–** | **40,848** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | 40,848 | – | – | – | On demand | Unsecured, no impairment |
| | **Leases** | **2015** | **–** | **–** | **–** | **2,902,918** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | – | – | 2,902,918 | – | On demand | Unsecured, no impairment |
| *Affiliates* | | | | | | | | | |
| NOW Telecom | **Advances** | **2015** | **7,816,287** | **31,408,455** | **–** | **749,806** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 5,320,038 | 23,720,567 | – | 621,407 | – | On demand | Unsecured, no impairment |
| KPSC | **Services** | **2015** | **6,488,528** | **–** | **–** | **–** | **19,719,161** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 17,526,585 | – | – | – | 26,207,689 | On demand | Unsecured, no impairment |
| | **Advances** | **2015** | **2,160** | **204,708** | **–** | **–** | **–** | **On demand** | **Unsecured** |
| | | 2014 | **–** | 202,548 | – | – | – | On demand | Unsecured |
| IBI | **Advances** | **2015** | **–** | **15,567,752** | **–** | **–** | **–** | **Due within 5 years** | **Unsecured, no impairment** |
| | | 2014 | – | 15,567,752 | – | – | – | Due within 5 years | Unsecured, no impairment |
| | **Interest** | **2015** | **467,033** | **10,995,926** | **–** | **–** | **–** | **Due within 5 years** | **Unsecured, no impairment** |
| | | 2014 | 467,033 | 10,528,893 | – | – | – | Due within 5 years | Unsecured, no impairment |

(Forward)

| Related parties | Category | Year | Transaction amount | Due from related parties | Trade and other receivables (see Note 4) | Due to related parties | Trade and other payables (see Note 8) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|---|
| Asian Institute of Journalism and Communication | **Advances** | **2015** | **₱2,661** | **₱470,022** | **₱–** | **₱–** | **₱–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 233,228 | 472,683 | – | – | – | On demand | Unsecured, no impairment |
| Paradiso Verde, Inc. | **Advances** | **2015** | **–** | **–** | **–** | **–** | **3,358,462** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | – | – | 7,940,563 | – | On demand | Unsecured, no impairment |
| | **Advances** | **2015** | **368,195** | **–** | **–** | **605,212** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 973,407 | – | – | 973,407 | – | On demand | Unsecured, no impairment |
| Porteon | **Loans** | **2015** | **–** | **2,160,300** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | 2,160,300 | – | – | – | On demand | Unsecured, no impairment |
| Newsnet | **Advances** | **2015** | **947,948** | **6,067,544** | **–** | **–** | **–** | **On-demand** | **Unsecured, no impairment** |
| | | 2014 | 5,119,596 | 5,119,596 | – | – | – | On-demand | Unsecured, no impairment |
| | **Services** | **2015** | **10,000,000** | **–** | **11,200,000** | **–** | **–** | **On-demand** | **Unsecured, no impairment** |
| | | 2014 | – | – | – | – | – | – | – |
| GHT | **Advances** | **2015** | **180** | **5,000,180** | **–** | **–** | **–** | **On-demand** | **Unsecured, no impairment** |
| | | 2014 | 5,000,000 | 5,000,000 | – | – | – | On-demand | Unsecured, no impairment |
| | **Services** | **2015** | **10,000,000** | **–** | **11,200,000** | **–** | **–** | **On-demand** | **Unsecured, no impairment** |
| | | 2014 | – | – | – | – | – | – | – |
| *Associate* | | | | | | | | | |
| Holycow | **Loans** | **2015** | **–** | **–** | **2,211,771** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | – | 2,211,771 | – | – | On demand | Unsecured, no impairment |
| | **Interest** | **2015** | **–** | **156,000** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | 156,000 | – | – | – | On demand | Unsecured, no impairment |
| Softweb | **Advances** | **2015** | **1,389,259** | **2,163,820** | **2,380,860** | **6,390,573** | **–** | **On demand** | **Unsecured** |
| | | 2014 | 4,403,554 | 8,239,341 | 2,380,860 | 1,704,311 | – | On demand | Unsecured |

(Forward)

| Related parties | Category | Year | Transaction amount | Due from related parties | Trade and other receivables (see Note 4) | Due to related parties | Trade and other payables (see Note 8) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|---|
| Softweb | **Loans** | **2015** | **₱–** | **₱714,000** | **₱–** | **₱–** | **₱–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | 714,000 | – | – | – | On demand | Unsecured, no impairment |
| | **Sales** | **2015** | **8,391,182** | **–** | **22,493,064** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 29,686,749 | – | 14,101,882 | – | – | On demand | Unsecured, no impairment |
| | **Management fee** | **2015** | **–** | **–** | **15,590,000** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 4,800,000 | – | 15,590,000 | – | – | On demand | Unsecured, no impairment |
| I-College | **Advances** | **2015** | **–** | **720** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | – | – | – | – | – | On demand | Unsecured, no impairment |
| | **Lease** | **2015** | **930,313** | **–** | **–** | **3,876,300** | **–** | **On demand** | **Unsecured, no impairment** |
| | | 2014 | 930,313 | – | – | 2,945,987 | – | On demand | Unsecured, no impairment |
| | | **2015** | | **₱74,950,275** | **₱66,275,695** | **₱238,078,380** | **₱25,112,678** | | |
| | | 2014 | | ₱71,922,528 | ₱35,244,513 | ₱411,351,212 | ₱28,242,744 | | |

## 10. Lease Commitments

The Group purchased transportation equipment through four-year financing agreements which are payable on a monthly basis. The Group recognized the obligation and pays to Velarde, Inc. The assets were capitalized since the lease term is for the major part of the economic life of the assets.

The future minimum lease payments of the Group for the obligations under finance lease are amounted to nil and ₱675,433 as of December 31, 2015 and 2014, respectively.

Interest expense related to the lease commitments amounted to ₱26,314, ₱252,359 and ₱560,994 in 2015, 2014 and 2013, respectively.

## 11. Loans Payable

On December 9, 2013, the bank has approved the conversion of the short term loans totaling to ₱44,500,000 into a two-year term loan. The principal balance of the loan is payable on January 19, 2016.

The loans bear interest at floating interest rates ranging from 2.12% to 2.30% in 2015 and 2014. Interest is payable every 30 days.

Interest expense amounted to ₱1,027,530, ₱992,688 and ₱1,987,981 in 2015, 2014 and 2013, respectively.

## 12. Capital Stock

On April 28, 2006, the BOD and stockholders approved the increase in the authorized capital stock from 40,000,000 shares to 1,320,000,000 shares at ₱1 par value per share. This was subsequently approved by the SEC on September 19, 2006.

On November 11, 2006, in accordance with the MOA, the Group issued the additional 1,289,278,350 shares at par value in exchange for the 2,656,580 shares of NOW Telecom (see Note 6).

On May 12, 2010, the BOD and stockholders of the Parent Company approved proposal to increase its authorized capital stock from 1,320,000,000 shares to 5,320,000,000 shares at ₱1 par value per shares. On November 7, 2014, the BOD and stockholders of the Parent Company approved the amendment in the proposal to increase the authorized capital stock up to 2,700,000,000 shares only. On January 22, 2015, the Parent Company's BOD approved a new proposal to supersede previous increase in authorized capital stock plans. It was decided for the Parent Company to apply for an increase of 800,000,000 shares at ₱1 par value per share. (i.e., 1,320,000,000 shares to 2,120,000,000 shares). The SEC approved the Parent Company's application to increase its authorized capital stock on December 17, 2015.

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

## 13. **Costs of Sales and Services**

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Cost of sales | **₱35,545,753** | ₱18,956,087 | ₱24,534,014 |
| Outside services | **39,283,420** | 40,740,680 | 38,862,014 |
| Advertising and promotion | **771,179** | 2,378,914 | 7,457,165 |
| | **₱75,600,352** | ₱62,075,681 | ₱70,853,193 |

## 14. **General and Administrative Expenses**

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Outside services | **₱6,602,192** | ₱3,134,421 | ₱25,517,320 |
| Provision for impairment loss on: | | | |
| Trade and other receivables (see Note 4) | **4,033,832** | 6,619,366 | 888,958 |
| Other current assets (see Note 5) | **158,767** | 547,503 | – |
| Depreciation and amortization (see Note 7) | **3,567,678** | 4,986,825 | 6,147,237 |
| Communication | **3,563,207** | 2,817,637 | 5,265,685 |
| Taxes and licenses | **2,473,879** | 867,666 | 727,802 |
| Entertainment, amusement and recreation | **2,430,290** | 1,270,642 | 1,469,591 |
| Rental | **1,681,446** | 3,045,309 | 3,444,057 |
| Transportation and travel | **1,586,867** | 1,866,773 | 1,448,133 |
| Office supplies | **1,020,425** | 877,500 | 347,884 |
| Utilities | **804,573** | 1,309,979 | 4,055,322 |
| Salaries and other employee benefits | **756,000** | 820,646 | 796,159 |
| Professional fees | **632,437** | 1,379,090 | 3,912,100 |
| Repairs and maintenance | **353,177** | 348,738 | 325,343 |
| Insurance | **271,898** | 269,943 | 197,431 |
| Others | **1,275,162** | 480,749 | 2,085,740 |
| | **₱31,211,830** | ₱30,642,787 | ₱56,628,762 |

## 15. **Income Taxes**

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Statutory income tax at 30% | **₱2,023,297** | (₱11,506,157) | (₱26,161,427) |
| Additions to (reductions in) income tax resulting from: | | | |
| Movement of unrecognized deferred income tax assets | **(2,905,716)** | 5,332,385 | 14,268,450 |
| Nondeductible expenses | **2,393,591** | 6,304,039 | 11,923,229 |
| Interest income subjected to final tax | **(2,282)** | (1,655) | (957) |
| | **₱1,508,890** | ₱128,612 | ₱29,295 |

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

The temporary differences are as follows:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| NOLCO | **₱58,512,902** | ₱140,448,329 | ₱213,170,570 |
| Allowance for impairment on trade receivables | **13,150,762** | 9,116,930 | 2,648,260 |
| MCIT | **812,692** | 334,540 | 308,987 |
| Unrealized foreign exchange loss | **–** | – | 262,504 |
| | **₱72,476,356** | ₱149,899,799 | ₱216,390,321 |

As of December 31, 2015, NOLCO and MCIT can be claimed as deduction from future taxable income and income tax liabilities, respectively, are as follows:

| Year Incurred | Year of Expiration | NOLCO | MCIT |
|---|---|---|---|
| 2015 | 2018 | ₱1,593,769 | ₱680,717 |
| 2014 | 2017 | 10,144,918 | 128,612 |
| 2013 | 2016 | 46,774,215 | 3,363 |
| | | ₱58,512,902 | ₱812,692 |

The following are the movements in NOLCO and MCIT:

| | **2015** | 2014 |
|---|---|---|
| NOLCO: | | |
| Balances at beginning of year | **₱140,448,329** | ₱213,170,570 |
| Additions | **1,593,769** | 10,144,918 |
| Application | **(13,548,316)** | (2,373,187) |
| Expirations | **(69,980,880)** | (80,493,972) |
| Balances at end of year | **₱58,512,902** | ₱140,448,329 |

| | **2015** | 2014 |
|---|---|---|
| MCIT: | | |
| Balances at beginning of year | **₱334,540** | ₱308,987 |
| Additions | **680,717** | 128,612 |
| Expirations | **(202,565)** | (103,059) |
| Balances at end of year | **₱812,692** | ₱334,540 |

## 16. Basic/Diluted EPS

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net loss attributable to equity holders of the Parent(a) | **₱5,236,704** | (₱38,482,470) | (₱87,233,678) |
| Weighted average number of outstanding common shares for both basic and dilutive EPS (b) | **1,317,278,350** | 1,317,278,350 | 1,317,278,350 |
| Basic/dilutive earnings (loss) per share (a/b) | **₱0.0040** | (₱0.0292) | (₱0.0662) |

For the years ended December 31, 2015, 2014 and 2013, there were no shares of stock that have a potentially dilutive effect on the basic EPS of the Group.

## 17. Financial Instruments

The Group's financial instruments are composed of cash, trade and other receivables, due from related parties, AFS financial assets, accounts payable and accrued expenses, due to related parties, obligations under finance lease and loans payable.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group is not exposed to cash flow interest rate risk since a significant portion of the Group's due from affiliates and finance lease obligations has fixed interest rates. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

*Liquidity Risk*
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect on the Group's credit standing.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2015 and 2014, based on contractual undiscounted cash flows. The tables also analyze the maturity profile of the Group's financial assets that can be used to finance maturing financial obligations. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

**2015**

| | On demand | Within 1 year | More than 1 year | Total |
|---|---|---|---|---|
| *Financial assets:* | | | | |
| Cash | ₱15,979,672 | ₱– | ₱– | ₱15,979,672 |
| Trade and other receivables | 52,921,911 | 28,866,497 | – | 81,788,408 |
| Due from related parties | 48,386,597 | – | 28,603,343 | 76,989,940 |
| | ₱117,288,180 | ₱28,866,497 | ₱28,603,343 | ₱174,758,020 |
| *Financial liabilities:* | | | | |
| Accounts payable and accrued expenses* | ₱126,206,487 | ₱– | ₱– | ₱126,206,487 |
| Due to related parties | 238,078,380 | – | – | 238,078,380 |
| Loans payable | – | 45,278,750 | – | 45,278,750 |
| | ₱364,284,867 | ₱45,278,750 | ₱– | ₱409,563,617 |

**Except government payables*

2014

| | On demand | Within 1 year | More than 1 year | Total |
|---|---|---|---|---|
| *Financial assets:* | | | | |
| Cash | ₱2,006,757 | ₱– | ₱– | ₱2,006,757 |
| Trade and other receivables | 32,861,441 | 18,941,422 | – | 51,802,863 |
| Due from related parties | 71,922,528 | – | – | 71,922,528 |
| | ₱106,790,726 | ₱18,941,422 | ₱– | ₱125,732,148 |
| *Financial liabilities:* | | | | |
| Accounts payable and accrued expenses* | ₱88,395,668 | ₱30,488,522 | ₱– | ₱118,884,190 |
| Due to related parties | 15,004,596 | – | 393,400,628 | 408,405,224 |
| Future interest on loans payable | – | 941,175 | 1,019,606 | 1,960,781 |
| Loans payable | – | – | 45,523,500 | 45,523,500 |
| | ₱103,400,264 | ₱31,429,697 | ₱439,943,734 | ₱574,773,695 |

**Except government payables*

The Group monitors its cash flow position through cash planning. The Group believes that cash advances by stockholders are sufficient to mitigate the effects of fluctuation in cash flow and to cover disbursements for the day-to-day operations of the Group.

*Credit Risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables and amounts owed by related parties.

The Group's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Group's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Group's exposure to impairment and account discrepancies is not significant. In addition, the Group manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

The Group's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Group's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Group's exposure to impairment and account discrepancies is not significant. In addition, the Group manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

As at December 31, 2015 and 2014, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets.

*Credit Quality per Class of Financial Asset*

The credit quality of financial assets is being managed by the Group using internal credit ratings. The Group considers its financial assets that are neither past due nor impaired amounting to ₱174,758,020 and ₱125,732,148 as of December 31, 2015 and 2014 as standard grade financial assets. Standard grade financial assets are those that are current and collectible.

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

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash, Trade and Other Receivables, Due from Related Parties, Accounts Payable and Accrued Expenses, Loans Payable and Due to Related Parties*

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

*AFS Financial Assets*

Unquoted equity security is carried at cost since fair value of this AFS investment cannot be reliably determined as this is not listed in active market and have no available bid price.

*Noncurrent Amounts Due from Related Party*

The fair value of noncurrent amounts due from related party were based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 2.4% as of December 31, 2015 (Level 3). The fair value and carrying value of noncurrent amounts due from related party amounted to ₱25,667,327 and ₱26,563,678, respectively.

*Noncurrent Amounts Due to Related Party*

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

*Loans Payable*

The carrying amount of the loans payable as of December 31, 2014 approximates its fair value as repricing of interest occurs approximately every month, at the prevailing bank interest rates.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

On October 28, 2010, PSE issued a memorandum regarding the rule for the minimum public ownership for all listed companies. Based on the memorandum, listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares or as such percentage that may be prescribed by the PSE. The Group has complied with the minimum public ownership.

The total core capital considered by the Group as of December 31, 2015 and 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| Total equity | **₱1,087,977,680** | ₱882,755,210 |
| Due to related parties | **(238,078,380)** | (411,351,212) |
| Total | **₱849,899,300** | ₱471,403,998 |

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

## 18. Business Segment Information

The Group's operating segments are organized and managed separately according to the nature of the services offered as follows:

- IT resource management segment - provides deployment of IT professionals to clients.
- IT products and services - provides high value products and services to clients.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Financial information on the operations of the various business segments are summarized as follows:

| | **2015** | | |
|---|---|---|---|
| | **IT Resource Management** | **IT products and services** | **Total** |
| **Service, marketing, management and consultancy fees** | **₱67,229,560** | **₱47,452,903** | **₱114,682,463** |
| **Interest income** | **244,385** | **467,033** | **711,418** |
| **Total revenue** | **₱67,473,945** | **₱47,919,936** | **₱115,393,881** |
| **Provision for income tax** | **₱–** | **₱1,508,890** | **₱1,508,890** |
| **Net income** | **79,207** | **5,156,226** | **5,235,433** |
| **Other information** | | | |
| **Investments and advances** | **–** | **1,317,871,168** | **1,317,871,168** |
| **Capital expenditures** | **–** | **239,078** | **239,078** |
| **Segment assets** | **13,446,324** | **1,484,905,761** | **1,498,352,085** |
| **Segment liabilities** | **53,782,558** | **361,722,883** | **415,505,441** |
| **Depreciation and amortization** | **625,520** | **2,942,158** | **3,567,678** |

| | 2014 | | |
|---|---|---|---|
| | IT Resource Management | IT products and services | Total |
| Service, marketing, management and consultancy fees | ₱38,580,090 | ₱34,726,749 | ₱73,306,839 |
| Interest income | 4,272 | 468,277 | 472,549 |
| Total revenue | ₱38,584,362 | ₱35,195,026 | ₱73,779,388 |
| Provision for income tax | ₱– | ₱128,612 | ₱128,612 |
| Net loss | 1,993,693 | 36,488,777 | 38,482,470 |
| Other information | | | |
| Investments and advances | – | 1,317,871,168 | 1,317,871,168 |
| Capital expenditures | – | 80,876 | 80,876 |
| Segment assets | 13,587,236 | 1,440,961,467 | 1,454,548,703 |
| Segment liabilities | 52,828,004 | 524,095,254 | 576,923,258 |
| Depreciation and amortization | 874,338 | 4,112,487 | 4,986,825 |

| | 2013 | | |
|---|---|---|---|
| | IT Resource Management | IT products and services | Total |
| Service, marketing, management and consultancy fees | ₱38,324,733 | ₱40,521,472 | ₱78,846,205 |
| Interest income | 1,769 | 470,051 | 471,820 |
| Total revenue | ₱38,326,502 | ₱40,991,523 | ₱79,318,025 |
| Provision for income tax | ₱– | ₱29,295 | ₱29,295 |
| Net loss | 4,549,238 | 82,684,813 | 87,234,051 |
| Other information: | | | |
| Investments and advances | – | 1,294,278,350 | 1,294,278,350 |
| Capital expenditures | 4,315,446 | 6,841,135 | 11,156,581 |
| Segment assets | 13,497,662 | 1,431,367,038 | 1,444,864,700 |
| Segment liabilities | 29,655,510 | 499,173,640 | 528,829,150 |
| Depreciation and amortization | 1,077,792 | 5,069,445 | 6,147,237 |

ANNEX B

# NOW Corporation

Parent Company Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

SGV
Building a better working world

SGV
Building a better working world

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

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors
NOW Corporation

**Report on the Parent Company Financial Statements**

We have audited the accompanying parent company financial statements of NOW Corporation (formerly Information Capital Technology Ventures, Inc.), which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Parent Company Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of NOW Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of NOW Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-A (Group A),
April 8, 2014, valid until April 7, 2017
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001988-103-2014,
March 10, 2014, valid until March 9, 2017
PTR No. 5321642, January 4, 2016, Makati City

April 29, 2016

## NOW CORPORATION
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | **₱14,981,051** | ₱1,414,187 |
| Trade and other receivables (Note 4) | **73,585,590** | 38,901,821 |
| Due from related parties (Note 9) | **57,658,171** | 81,844,663 |
| Other current assets (Note 5) | **1,276,375** | 1,090,849 |
| **Total Current Assets** | **147,501,187** | 123,251,520 |
| **Noncurrent Assets** | | |
| Investments and advances (Note 6) | **1,327,582,024** | 1,327,582,024 |
| Due from related parties (Note 9) | **26,563,678** | – |
| Property and equipment (Note 7) | **2,302,107** | 5,503,803 |
| Other noncurrent assets - net of accumulated amortization of computer software amounting to ₱996,466 and ₱869,562 as at December 31, 2015 and 2014, respectively. | **239,296** | 331,564 |
| **Total Noncurrent Assets** | **1,356,687,105** | 1,333,417,391 |
| **TOTAL ASSETS** | **₱1,504,188,292** | ₱1,456,668,911 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses (Note 8) | **₱106,847,793** | ₱92,841,655 |
| Current portion of loans payable (Note 11) | **44,500,000** | – |
| Current portion of due to related parties (Note 9) | **231,620,585** | 11,416,851 |
| Obligations under finance lease (Note 10) | – | 675,433 |
| **Total Current Liabilities** | **382,968,378** | 104,933,939 |
| **Noncurrent Liabilities** | | |
| Due to related parties (Note 9) | – | 393,400,628 |
| Loans payable (Note 11) | – | 44,500,000 |
| **Total Noncurrent Liabilities** | – | 437,900,628 |
| **Total Liabilities** | **382,968,378** | 542,834,567 |
| **Equity** | | |
| Capital stock (Note 12) | **1,517,278,350** | 1,317,278,350 |
| Deficit | **(396,058,436)** | (403,444,006) |
| **Total Equity** | **1,121,219,914** | 913,834,344 |
| **TOTAL LIABILITIES AND EQUITY** | **₱1,504,188,292** | ₱1,456,668,911 |

*See accompanying Notes to Parent Company Financial Statements.*

# NOW CORPORATION
## PARENT COMPANY STATEMENTS OF INCOME

| | Years Ended December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **REVENUES** | | |
| Sales | **₱47,331,371** | ₱21,235,363 |
| Service fees (Note 9) | **27,686,947** | 8,451,386 |
| Others (Note 9) | **948,959** | 5,508,163 |
| | **75,967,277** | 35,194,912 |
| **COSTS OF SALES AND SERVICES** (Note 13) | **41,926,025** | 28,763,195 |
| **GROSS INCOME** | **34,041,252** | 6,431,717 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 14) | **24,265,809** | 24,662,172 |
| **OTHER CHARGES** | | |
| Interest expense (Notes 9, 10 and 11) | **1,053,844** | 19,001,068 |
| Others | **655,312** | 162,999 |
| | **1,709,156** | 19,164,067 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **8,066,287** | (37,394,522) |
| **PROVISION FOR CURRENT INCOME TAX** (Note 15) | **680,717** | 128,612 |
| **NET INCOME (LOSS)** | **₱7,385,570** | (₱37,523,134) |
| **Basic/Diluted Earnings (Losses) Per Share** (Note 16) | **₱0.0056** | (₱0.0285) |

*See accompanying Notes to Parent Company Financial Statements.*

## NOW CORPORATION
## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **NET INCOME (LOSS)** | **₱7,385,570** | (₱37,523,134) |
| **OTHER COMPREHENSIVE INCOME** | **–** | – |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **₱7,385,570** | (₱37,523,134) |

*See accompanying Notes to Parent Company Financial Statements.*

## NOW CORPORATION

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| | **Common Stock** | **Deficit** | **Total** |
|---|---|---|---|
| Balances, January 1, 2015 | **₱1,317,278,350** | **(₱403,444,006)** | **₱913,834,344** |
| Total comprehensive income | – | 7,385,570 | 7,385,570 |
| Issuance of capital stock (Note 12) | 200,000,000 | – | 200,000,000 |
| Balances, December 31, 2015 | **₱1,517,278,350** | **(₱396,058,436)** | **1,121,219,914** |
| Balances, January 1, 2014 | **₱1,317,278,350** | **(₱365,920,872)** | **₱951,357,478** |
| Total comprehensive loss | – | (37,523,134) | (37,523,134) |
| Balances, December 31, 2014 | **₱1,317,278,350** | **(₱403,444,006)** | **₱913,834,344** |

*See accompanying Notes to Parent Company Financial Statements.*

## NOW CORPORATION
## PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) before income tax | **₱8,066,287** | (₱37,394,522) |
| Adjustments for: | | |
| Depreciation and amortization (Note 7) | **3,567,678** | 4,974,469 |
| Provision for impairment loss on: | | |
| Trade and other receivables (Note 14) | **3,019,167** | 6,619,366 |
| Other current assets (Note 5) | **158,767** | 547,503 |
| Interest and other charges (Notes 9 and 11) | **1,053,844** | 19,001,068 |
| Interest income | **(708,959)** | (468,163) |
| Operating income (loss) before working capital changes | **15,156,784** | (6,720,279) |
| Decrease (increase) in: | | |
| Trade and other receivables | **(37,702,936)** | (14,472,431) |
| Other current assets | **(185,526)** | 2,062,052 |
| Increase (decrease) in accounts payable and accrued expenses | **13,917,882** | (4,769,328) |
| Net cash used in operations | **(8,813,796)** | (23,899,986) |
| Interest received | **241,926** | 1,130 |
| Interest paid | **(965,588)** | (992,688) |
| Income taxes paid | **(680,717)** | (128,612) |
| Net cash flows used in operating activities | **(10,218,175)** | (25,020,156) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Increase in amounts due from related parties | **(1,910,153)** | (6,049,342) |
| Additions to property and equipment (Note 7) | **(239,078)** | (80,876) |
| Increase (decrease) in other noncurrent assets | **(193,403)** | 500 |
| Net cash flows used in investing activities | **(2,342,634)** | (6,129,718) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Increase in amounts due to related parties | **26,127,673** | 31,396,522 |
| **NET INCREASE IN CASH** | **13,566,864** | 246,648 |
| **CASH AT BEGINNING OF YEAR** | **1,414,187** | 1,167,539 |
| **CASH AT END OF YEAR** | **₱14,981,051** | ₱1,414,187 |

*See accompanying Notes to Parent Company Financial Statements.*

## 1. Corporate Information

Corporate Background

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

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

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

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

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

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

Change in Corporate Name

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

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

Certificates and Memorandum of Understanding and Agreements

On March 22, 2005, a Memorandum of Agreement (MOA) was executed by AIB and Gamboa Holdings, Inc. (GHI), whereby AIB agreed to sell and GHI agreed to purchase 18,171,286 shares of the Parent Company at an or aggregate purchase price of ₱74,395,000. The sale of the Parent Company's shares becomes effective on August 20, 2005 resulting to a 66.67% ownership interest of GHI in the Parent Company.

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

The Company has no regular employees as of December 31, 2015 and 2014. Its administrative functions are being handled by personnel of Knowledge Professionals Service Cooperative (KPSC) (see Note 9).

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

Authorization for Issuance
In April 29, 2016 Regular BOD Meeting, the BOD delegated to the Chairman, or in his absence the Vice Chairman, and President the authority to approve the issuance of the parent company financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015.

The parent company financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue by the Chairman and President on April 29, 2016.

## 2. Summary of Significant Accounting Policies

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

Statement of Compliance
The parent company financial statements are prepared in accordance with PFRS issued by the Financial Reporting Standards Council (FRSC).

The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements are prepared in accordance with PFRS. These consolidated financial statements may be obtained from the Philippine SEC.

Changes in Accounting Policies and Disclosures
The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015.

The nature and the impact of each new standard and amendment are described below:

Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to

recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Company since the Company does not have defined benefit plans with contributions from employees or third parties.

*Annual Improvements to PFRSs 2010-2012 Cycle*
These improvements are effective from July 1, 2014. Unless otherwise stated, these amendments have no impact on the parent company financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Finanancial Instruments*, if early adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (i.e., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  This improvement has no impact on the Company since the reconciliation of segment assets to total assets have been consistently disclosed in prior years as this is reported to the BOD, the Company's chief operating decision maker.

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The adoption of this amendment did not have any

impact in the parent company financial statements as the Company's property, plant and equipment and intangible assets are not carried at revalued amounts.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

*Annual Improvements to PFRSs (2011-2013 Cycle)*
These improvements are effective from July 1, 2014. Unless otherwise stated, these amendments have no impact on the parent company financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:

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

All other assets are classified as noncurrent.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Financial Instruments
Financial instruments are recognized in the parent company statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets under PAS 39, are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets. The Company's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2015 and 2014, the Company has no outstanding financial assets at FVPL and HTM investments.

Under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Company's financial liabilities are of the nature of other financial liabilities. As of December 31, 2015 and 2014, the Company has no outstanding financial liabilities at FVPL.

*Loans and Receivables*
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated at FVPL. This accounting policy relates to "Cash", "Trade and other receivables" and "Due from related parties" accounts in the parent company statement of financial position.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the "Interest income" account in the parent company statement of income. The losses arising from impairment of loans and receivables are recognized in the parent company statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets). Loans and receivables are classified as current assets when it is expected to be realized within 12 months from the reporting date or within the normal operating cycle, whichever is longer.

*AFS Financial Assets*
AFS financial assets are those investments which are designated as such or do not qualify to be classified as designated as FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as a separate account (net of tax where applicable) in the equity section of the parent company statement of financial position.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the parent company statement of income. Dividends earned on holding AFS financial assets are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses in the parent company statement of income.

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

This accounting policy relates to the Company's investment in Now Telecom.

*Other Financial Liabilities*
Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Company's "Accounts payable and accrued expenses", "Due to related parties", "Loans payable", "Obligation under finance lease" and other obligations that meet the above definition (other than liabilities covered by accounting standards, such as income tax payable). Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the reporting date or the Company has an unconditional right to defer settlement for at least 12 months from the reporting date.

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

Input VAT
Input VAT represents tax imposed on purchases of services related to the Parent's Company's VATable services. It is carried at cost less any impairment allowance.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the 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 economic best interest.

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 parent 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 parent company 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 period.

Impairment of Financial Assets
*Carried at Amortized Cost*
The Company assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the parent company statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment.

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

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

*AFS Financial Assets Carried at Cost*
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

<u>Derecognition of Financial Assets and Liabilities</u>
*Financial Assets*
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in equity is recognized in the parent company statement of income.

*Financial Liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Investments in Subsidiaries
Investments in subsidiaries are accounted for under the cost method of accounting, less any impairment losses. Dividend income is recognized when the Company's right to receive payment is established.

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 a 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 arrangements; and
- The Company's voting rights and potential voting rights.

Investment in Associate
The Company's investment in associate is accounted for under the cost method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the cost method, the investment in the associate is carried in the parent company statement of financial position at cost plus post-acquisition changes arising only from additional investments less subsequent withdrawal of shares. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment. After application of the cost method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

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

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

| | Years |
|---|---|
| Transportation equipment | 5 |
| Office equipment | 2 |
| Furniture and fixtures | 2 |

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

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

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

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

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

Impairment of Nonfinancial Assets
*Property and Equipment and Other Nonfinancial Assets*
The Company assesses at each reporting date whether there is an indication that its property and equipment and other nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset,

unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired nonfinancial asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

*Investments in Subsidiaries and Associate*
The Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in subsidiaries and associate. The Company determines at each financial reporting date whether there is any objective evidence that these investments are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the subsidiaries and associate and its respective acquisition costs and recognizes the impairment in the parent company statement of income.

Common Stock
The Company has issued capital stocks that are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of share over the par value are credited to share premium.

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Goods*
Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyers and the amount of revenue can be measured reliably. Net sales is measured at

the fair value of the consideration received, excluding sales taxes, discounts, returns and rebates, if any.

*Service, Marketing, Management and Consultancy Fees*
Fees are recognized when the related services have been rendered.

*Interest*
Interest income is recognized as interest accrues using the effective interest method.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when the services are used or the expenses are incurred.

*Cost of Sales*
Cost of sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer upon delivery.

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

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

Income Taxes
*Current Income Tax*
Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Income Tax*
Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits in the form of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and involves as assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Provisions
Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income, net of any reimbursement.

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

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

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

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

Future Changes in Accounting Policies
The Company will adopt the following standards and interpretations and assess their impact when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these standards and interpretations to have significant impact on its financial statements.

*Deferred*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not be applicable to the Company as it is not under the real estate industry.

*Effective January 1, 2016*

- PFRS 10, *Consolidated Financial Statements*, and PAS 28*, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment

entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since none of the entities within the Company is an investment entity nor does the Company have investment entity associates or joint venture.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the parent company financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its parent company financial statements.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 41*, Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.

*Annual Improvements to PFRSs (2012-2014 cycle)*
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company.

They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be

a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (i.e., in the management commentary or risk report).

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments*
  The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

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

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and the FRSC.

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

## 3. **Significant Accounting Judgements and Estimates**

The parent company financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the parent company financial statements and related notes. The judgments and estimates used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the parent company financial statements.

*Operating Lease - Company as Lessee*
The Company has entered into a commercial property lease on its office. The Company has determined that it does not retain all the significant risks and rewards of ownership of the properties which are leased under operating lease arrangements.

*Finance Lease Commitments - Company as Lessee*
The Company has entered into leases of transportation equipment. The Company has determined that these leases are finance leases since the significant risks and rewards of ownership related to these properties are transferred to the Company from the date of the lease agreement.

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

*Estimating Allowance for Impairment of Trade and Other Receivables and Due from Related Parties.*
The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as on historical loss experience. Allowance for impairment loss is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of action. The Company recognized provision on impairment loss on receivables amounting to ₱3,019,167 and ₱6,619,366 in 2015 and 2014, respectively (see Note 4). Allowance for impairment loss on receivables amounted to ₱12,101,974 and ₱9,082,807 as of December 31, 2015 and 2014, respectively.

The aggregate carrying value of trade and other receivables and due from related parties amounted to ₱157,807,439 and ₱120,746,484 as of December 31, 2015 and 2014, respectively (see Notes 4 and 9).

*Estimating Impairment of Investments and Advances*
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or
- other valuation models.

Investments in investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to changes in the discount rate and growth rates used in the discounted cash flows.

No impairment loss was recognized on the investments and advances. The carrying amount of investments and advances amounted to ₱1,327,582,024 as of December 31, 2015 and 2014 (see Note 6).

*Estimating Useful Lives of Property and Equipment and Computer Software*
The Company estimates the useful lives of property and equipment and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Company's estimation of the useful lives of property and equipment and computer software is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Depreciation and amortization charged to operations amounted to ₱3,567,678 and ₱4,974,469 for the years ended December 31, 2015 and 2014, respectively (see Note 14). The aggregate net book values of property and equipment and computer software amounted to ₱2,432,240 and ₱5,760,840 as of December 31, 2015 and 2014, respectively (see Note 7).

*Estimating Impairment of Property and Equipment and Computer Software*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the 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.

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the parent company financial statements. The aggregate amount of property and equipment and computer software amounted to ₱2,432,240 and ₱5,760,840 as of December 31, 2015 and 2014, respectively (see Note 7)

*Estimating Realizability of Deferred Income Tax Assets*
The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Company did not recognize deferred income tax assets on temporary differences and carryforward benefits of unused NOLCO, allowance for impairment losses and unused tax credits from excess MCIT amounting to ₱71,395,455 and ₱146,026,326 as of December 31, 2015 and 2014, respectively (see Note 15). The Company believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

## 4. Trade and Other Receivables

| | 2015 | 2014 |
|---|---|---|
| Trade: | | |
| Related party (see Note 9) | **₱66,951,927** | ₱34,429,919 |
| Third party | **15,405,471** | 10,067,886 |
| Advances to officers and personnel | **1,118,395** | 1,275,052 |
| Others (see Notes 6 and 9) | **2,211,771** | 2,211,771 |
| | **85,687,564** | 47,984,628 |
| Less allowance for impairment loss | **12,101,974** | 9,082,807 |
| | **₱73,585,590** | ₱38,901,821 |

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

Trade receivables from related parties are unsecured, noninterest-bearing and are to be settled upon demand.

In addition, the Company has an outstanding loan receivable from Holy Cow Animation, Inc. (Holy Cow) amounting to ₱2,211,771 as of December 31, 2015 and 2014 (see Note 9).

Movements in allowance for impairment loss on trade receivables are as follows:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **₱9,082,807** | ₱2,463,441 |
| Provisions (see Note 14) | **3,019,167** | 6,619,366 |
| Balance at end of year | **₱12,101,974** | ₱9,082,807 |

## 5. Other Current Assets

| | 2015 | 2014 |
|---|---|---|
| CWT (net of allowance for impairment losses amounting to ₱706,270 and ₱547,503 in 2015 and 2014, respectively) | **₱615,080** | ₱536,211 |
| Input VAT - net | **526,205** | 435,960 |
| Prepayments | **135,090** | 118,678 |
| | **₱1,276,375** | ₱1,090,849 |

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

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

## 6. Investments and Advances

The Company has investments in the following companies:

| | 2015 | 2014 |
|---|---|---|
| AFS financial assets | **₱1,289,278,350** | ₱1,289,278,350 |
| Investments in: | | |
| Subsidiaries (net of allowance for impairment loss of ₱23,400,000 in 2015 and 2014) | **6,634,131** | 3,634,131 |
| Associate (net of allowance for impairment loss of ₱2,923,275 in 2015 and 2014) | **3,076,725** | 3,076,725 |
| Advances | **28,592,818** | 31,592,818 |
| | **₱1,327,582,024** | ₱1,327,582,024 |

*Investments*

| | Percentage of Ownership | | Cost | |
|---|---|---|---|---|
| Name of Companies | **2015** | 2014 | **2015** | 2014 |
| *Subsidiaries* | | | | |
| I-Resource Consulting International, Inc. (I-Resource) | **100%** | 100% | **₱3,250,000** | ₱250,000 |
| J-Span IT Services, Inc. (JSIT) | **100%** | 100% | **2,634,131** | 2,634,131 |
| I-Professional Search Network, Inc. (I-Professional) | **100%** | 100% | **500,000** | 500,000 |
| Porteon SEA, Inc. (Porteon) | **100%** | 100% | **250,000** | 250,000 |
| Softrigger Interactive, Inc. (Softrigger) | **67%** | 67% | **23,400,000** | 23,400,000 |
| *Associate* | | | | |
| Softweb Consulting, Inc. (Softweb) | **50%** | 50% | **6,000,000** | 6,000,000 |

As of December 31, 2015 and 2014, investment in Softrigger has been fully-impaired.

As of December 31, 2015 and 2014, impairment on investment with Softweb amounts to ₱2,923,275.

On March 17, 2011, the Company's BOD confirmed/ratified the establishment of the Company's wholly-owned subsidiary named JSIT in Tokyo, Japan. The primary purpose of JSIT is to provide IT services.

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 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.

On August 15, 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 is the recruitment and placement of workers in the Philippines.

*Advances*

| | **2015** | 2014 |
|---|---|---|
| Thumbmob Philippines, Inc. (Thumbmob) | **14,344,369** | ₱14,344,369 |
| Holy Cow | **9,248,449** | 9,248,449 |
| Softweb | **5,000,000** | 5,000,000 |
| I-Resource | – | 3,000,000 |
| | **₱28,592,818** | ₱31,592,818 |

Advances pertain to the deposits made for the subscription to the proposed increase in authorized capital stock.

On December 27, 2013, the Company advanced ₱3,000,000 to I-Resource to pay up the Company's subscription of 110,000 shares at ₱100 per share on the proposed increase in authorized capital stock of I-Resource by ₱11,000,000 from ₱1,000,000 to ₱12,000,000 or increase by 110,000 shares at ₱100 per share from 10,000 shares at ₱100 per share to 120,000 shares at ₱100 per share. In 2015, upon approval by the SEC on the application for increase in the authorized capital stock of I-Resource, the deposit for future stock subscription was converted to equity for the subscribed capital stock of 110,000 I-Resource shares with a par value of ₱100 amounting to ₱11,000,000.

As of December 31, 2015 and 2014, advances to Softweb amounted to ₱5,000,000. This pertains to deposits for future stock subscriptions in Softweb pending the latter's increase in authorized capital stock.

The Company entered into agreements with Thumbmob and Holy Cow for the subscription of Thumbmob and Holy Cow shares amounting to ₱23,592,818 in 2015 and 2014, respectively.

These are currently recorded under "Investments and advances" in the parent company statements of financial position pending the increase in the authorized capital stock of the investee companies. The applications for the increase in authorized capital stock are not yet filed with the SEC.

*AFS Financial Assets*
The Company has an investment in NOW Telecom classified as AFS financial assets.

On April 28, 2006, the Company entered into a MOA with NOW Telecom and the NOW Telecom stockholders to swap or exchange shares of stock.

Under the MOA, there shall be a new issuance of shares of stock by the Company in exchange solely for NOW Telecom shares owned and controlled by the NOW Telecom stockholders. The agreed upon swap of shares was subject to certain conditions, including necessary corporate and regulatory approvals. The MOA was approved by the stockholders during the Company's June 2, 2006 Annual Stockholders' Meeting.

However, certain amendments were subsequently made to the MOA in view of the fact that upon further consultation with the PSE, it was determined that the 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 19% equity interest in NOW Telecom and not 97%, as originally intended. As a result, NOW Telecom stockholders will transfer to the Company 2,656,580 NOW Telecom shares in exchange for new shares of the Company with an aggregate value of ₱1,289,278,350 or effectively at a price of ₱485.32 per NOW Telecom share.

To comply with the provisions of the amended MOA, the Company increased its authorized capital stock to accommodate the foregoing transaction (see Note 12).

In September 2006, the SEC issued Certificate of Approval of Valuation of Shares of Stock of NOW Telecom and Certificate of Increase in Capital Stock of the Company.

As mentioned in Note 1, in 2008, the PSE approved the application for the listing of the additional ₱1,289,278,350 common shares to cover the share-for-share swap transactions with NOW Telecom shareholders.

As of December 31, 2015 and 2014, the Company's investment in NOW Telecom amounted to ₱1,289,278,350.

## 7. Property and Equipment

**2015**

| | Office Equipment | Transportation Equipment | Leasehold Improvements | Furniture and Fixtures | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **Balances at beginning of year** | **₱5,954,358** | **₱15,169,919** | **₱3,325,710** | **₱730,199** | **₱25,180,186** |
| **Additions** | **239,078** | **–** | **–** | **–** | **239,078** |
| **Balances at end of year** | **6,193,436** | **15,169,919** | **3,325,710** | **730,199** | **25,419,264** |
| **Accumulated depreciation:** | | | | | |
| **Balances at beginning of year** | **5,749,580** | **12,206,516** | **1,400,061** | **320,226** | **19,676,383** |
| **Depreciation and amortization** (see Note 14) | **243,449** | **2,588,485** | **500,722** | **108,118** | **3,440,774** |
| **Balances at end of year** | **5,993,029** | **14,795,001** | **1,900,783** | **428,344** | **23,117,157** |
| **Net book values** | **₱200,407** | **₱374,918** | **₱1,424,927** | **₱301,855** | **₱2,302,107** |

2014

| | Office Equipment | Transportation Equipment | Leasehold Improvements | Furniture and Fixtures | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balances at beginning of year | ₱5,873,482 | ₱15,169,919 | ₱3,325,710 | ₱730,199 | ₱25,099,310 |
| Additions | 80,876 | – | – | – | 80,876 |
| Balances at end of year | 5,954,358 | 15,169,919 | 3,325,710 | 730,199 | 25,180,186 |
| Accumulated depreciation: | | | | | |
| Balances at beginning of year | 4,736,006 | 9,056,032 | 899,339 | 212,108 | 14,903,485 |
| Depreciation and amortization (see Note 14) | 1,013,574 | 3,150,484 | 500,722 | 108,118 | 4,772,898 |
| Balances at end of year | 5,749,580 | 12,206,516 | 1,400,061 | 320,226 | 19,676,383 |
| Net book values | ₱204,778 | ₱2,963,403 | ₱1,925,649 | ₱409,973 | ₱5,503,803 |

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

Cost of fully depreciated assets still in use amounted to ₱16,757,039 and ₱2,141,820 as of December 31, 2015 and 2014, respectively.

## 8. Accounts Payable and Accrued Expenses

| | **2015** | 2014 |
|---|---|---|
| Trade payables: | | |
| Third parties | **₱21,173,961** | ₱8,703,228 |
| Related parties (see Note 9) | **14,482,595** | 17,508,619 |
| Accrued interest (see Note 9) | **59,903,586** | 59,903,586 |
| Accrued expenses | **5,374,460** | 4,193,200 |
| Deferred output VAT | **5,368,573** | 2,042,863 |
| Withholding tax | **544,618** | 490,159 |
| | **₱106,847,793** | ₱92,841,655 |

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

## 9. Related Party Transactions

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

In the normal course of business, the Company entered into transactions with related parties, principally consisting of the following:

a. In 2005, the Company entered into an agreement to promote and market the telecommunication services of NOW Telecom to the Company's clients. Amounts due from NOW Telecom as of December 31, 2015 and 2014 amounted to ₱30,538,160 and ₱23,274,104, respectively. These advances are due and demandable.

b. On August 30, 2005, the Company entered into a Loan Agreement with IMX Broadband Inc. (IBI) for research and development purposes in connection with IBI's plan to expand its IT platform and introduce IT-related products and services. The loan is subject to 9.0% interest per annum and is payable no later than August 30, 2010. Partial pre-payments on the principal may be made prior to this date. The interest is due and demandable only on maturity date.

   Interest was reduced by the parties to 5.5% per annum in 2007 and shall be subject to annual repricing subsequent to 2007.

   On June 25, 2010, both parties agreed to extend the maturity of the loan from August 30, 2010 to August 30, 2012. On August 31, 2012, both parties agreed to extend the maturity of the loan up to August 30, 2015, with the interest rate further reduced to 3% per annum starting January 1, 2013. On August 31, 2015, both parties agreed to extend the maturity of the loan to 5 years ending August 30, 2020. Interest income amounted to ₱467,033 in 2015 and 2014. As of December 31, 2015 and 2014, amounts owed by IBI amounted to ₱26,563,678 and ₱26,096,645, respectively. IBI is under common ownership with the Company.

c. Amounts owed arising from Sub-Lease Agreement with Emerald Investments, Inc. (EII) which ended in 2011 amounted to ₱2,902,918 as of December 31, 2015 and 2014. Outstanding liability to EII is due and demandable. EII is a stockholder of the Company.

d. On July 16, 2010, the Company entered into a service agreement with KPSC for a period of one year, beginning July 16, 2010 to July 15, 2011, extended up to July 15, 2012. On January 1, 2013, the Company entered into another service agreement with KPSC for a period of 4 years beginning January 1, 2013 to December 31, 2016. KPSC provides consultancy and manpower services depending on the services specifically required by the Company.

As of December 31, 2015 and 2014, the outstanding payable to KPSC amounted to ₱9,089,078 and ₱15,473,564, respectively. KPSC has cooperators who are also stockholders of the Company.

e. Amounts owed to related parties include interest bearing advances from Velarde, Inc. for working capital and investment requirements. Interest rate for these advances is at 18.0% per annum or 1.5% per month.

   On November 08, 2012, the BOD of Velarde, Inc. has agreed to enter into an agreement with the Company for the deferment of accrual of interest starting November 2012. Interest expense booked as an additional due to related party amounted to nil and ₱17,756,021 in 2015 and 2014, respectively. Outstanding accrued interest amounted to ₱59,903,586 as of December 31, 2015 and 2014, respectively.

   On January 22, 2015, the BOD of Velarde, Inc. agreed to convert its advances amounting to ₱200,000,000 into 200,000,000 common stocks with a par value of ₱1. Further, it was also agreed during the said meeting that the remaining and subsequent advances of Velarde, Inc. to the Company will be interest-free (see Note 12).

   On April 14, 2016, Velarde, Inc. and the Group agreed to convert remaining advances amounting to ₱223,458,035 into additional equity interest in the Parent Company.

   Net amounts due to Velarde, Inc. amounted to ₱223,458,035 and ₱393,400,628 as of December 31, 2015 and 2014, respectively.

f. The Group charges Softweb and Velarde, Inc. management fees for the administration and operations of the companies. Management fees charged to Softweb amounted to nil and ₱4,800,000 in 2015 and 2014, respectively. Management fees charged to Velarde, Inc. amounted to ₱240,000 in 2015 and 2014.

g. The Company entered into a loan agreement with Porteon Electric Vehicles, Inc. As of December 31, 2015 and 2014, the outstanding amount due from Porteon Electric Vehicles, Inc. amounted to ₱2,160,300.

h. In January 2015, the Group entered into service agreement with GHT Network, Inc. (GHT) and News and Entertainment Network, Inc. (Newsnet) to provide bandwidth services to its customers. The Group provided the infrastructure build-up and technology design and consultancy. Service revenue from GHT and Newsnet amounted to ₱10,000,000 each in 2015.

Below is a summary of significant transactions and balances with related parties:

| Related parties | Category | Amount | Due from related party | Trade and other Receivables (see Note 4) | Due to related party | Trade and Other Payables (see Note 8) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| *Shareholders* | | | | | | | | |
| GHI | **Advances 2015** | **₱–** | **₱–** | **₱–** | **₱95,536** | **₱2,035,055** | **On demand** | **Unsecured** |
| | 2014 | – | – | – | 95,536 | 2,035,055 | On demand | Unsecured |
| Velarde, Inc. | **Advances 2015** | **30,057,407** | **–** | **–** | **223,458,035** | **–** | **On demand** | **Unsecured** |
| | 2014 | 44,098,601 | – | – | 393,400,628 | – | On demand | Unsecured |
| | **Management fees 2015** | **240,000** | **–** | **1,200,000** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 240,000 | – | 960,000 | – | – | On demand | Unsecured, no impairment |
| EII | **Advances 2015** | **–** | **6,140** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 6,140 | – | – | – | On demand | Unsecured, no impairment |
| | **Lease 2015** | **–** | **–** | **–** | **2,902,918** | **–** | **On demand** | **Unsecured** |
| | 2014 | – | – | – | 2,902,918 | – | On demand | Unsecured |
| *Affiliates* | | | | | | | | |
| NOW Telecom (formerly NMI) | **Advances 2015** | **7,264,056** | **30,538,160** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 5,177,566 | 23,274,104 | – | – | – | On demand | Unsecured, no impairment |
| KPSC | **Advances 2015** | **2,160** | **204,708** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 202,548 | – | – | – | On demand | Unsecured, no impairment |
| | **Services 2015** | **6,384,486** | **–** | **–** | **–** | **9,089,078** | **On demand** | **Unsecured** |
| | 2014 | 16,772,432 | – | – | – | 15,473,564 | On demand | Unsecured |
| Asian Institute of Journalism and Communication (AIJC) | **Advances 2015** | **5,413** | **467,270** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 232,228 | 472,683 | – | – | – | On demand | Unsecured, no impairment |

| Related parties | Category | Amount | Due from related party | Trade and other Receivables (see Note 4) | Due to related party | Trade and Other Payables (see Note 8) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| IBI | **Advances 2015** | **₱–** | **₱15,567,752** | **₱–** | **₱–** | **₱–** | **Due within 5 years** | **Unsecured, no impairment** |
| | 2014 | – | 15,567,752 | – | – | – | Due within 5 years | Unsecured, no impairment |
| | **Interest 2015** | **467,033** | **10,995,926** | **–** | **–** | **–** | **Due within 5 years** | **Unsecured, no impairment** |
| | 2014 | 467,033 | 10,528,893 | – | – | – | Due within 5 years | Unsecured, no impairment |
| Porteon Electric Vehicles, Inc. | **Loans 2015** | **–** | **2,160,300** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 2,160,300 | – | – | – | On demand | Unsecured, no impairment |
| Softweb | **Advances 2015** | **–** | **–** | **–** | **4,714,096** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 385,144 | 6,075,521 | – | 27,834 | – | On demand | Unsecured, no impairment |
| | **Loans 2015** | **–** | **714,000** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 714,000 | – | – | – | On demand | Unsecured, no impairment |
| | **Sales 2015** | **8,391,182** | **–** | **22,493,064** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 29,686,749 | – | 14,101,882 | – | – | On demand | Unsecured, no impairment |
| | **Management fees 2015** | **–** | **–** | **15,590,000** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 4,800,000 | – | 15,590,000 | – | – | On demand | Unsecured, no impairment |
| Holycow | **Loans 2015** | **–** | **–** | **2,211,771** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | – | 2,211,771 | – | – | On demand | Unsecured, no impairment |
| | **Interest 2015** | **–** | **156,000** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 156,000 | – | – | – | On demand | Unsecured, no impairment |
| Paradiso Verde | **Advances 2015** | **3,358,462** | **–** | **–** | **–** | **3,358,462** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | – | – | 7,940,563 | – | On demand | Unsecured, no impairment |

| Related parties | Category | Amount | Due from related party | Trade and other Receivables (see Note 4) | Due to related party | Trade and Other Payables (see Note 8) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| Newsnet | **Advances 2015** | **₱947,948** | **₱6,067,544** | **₱–** | **₱–** | **₱–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 5,119,596 | – | – | – | On demand | Unsecured, no impairment |
| | **Services 2015** | **10,000,000** | **–** | **11,200,000** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | – | – | – | – | On demand | Unsecured, no impairment |
| GHT | **Advances 2015** | **180** | **5,000,180** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 5,000,000 | 5,000,000 | – | – | – | On demand | Unsecured, no impairment |
| | **Services 2015** | **10,000,000** | **–** | **11,200,000** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | – | – | – | – | On demand | Unsecured, no impairment |
| *Subsidiaries* | | | | | | | | |
| Porteon | **Advances 2015** | **–** | **3,443** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 3,443 | – | – | – | On demand | Unsecured, no impairment |
| JSIT | **Advances 2015** | – | **4,700,917** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 56,233 | 4,700,917 | – | – | – | On demand | Unsecured, no impairment |
| I-Resource | **Advances 2015** | **223,257** | **451,812** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | 5,888,154 | 675,069 | – | – | – | On demand | Unsecured, no impairment |
| Softrigger | **Advances 2015** | **–** | **2,331,659** | **–** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 2,331,659 | – | – | – | On demand | Unsecured, no impairment |
| | **Loans 2015** | **–** | **4,856,038** | – | – | – | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | 4,856,038 | – | – | – | On demand | Unsecured, no impairment |
| | **Management fees** | | | | | | | |
| | **2015** | **–** | **–** | **2,452,800** | **–** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | – | 2,452,800 | – | – | On demand | Unsecured, no impairment |
| I-Professional | **Advances 2015** | **1,490,826** | **–** | **2,816,063** | **450,000** | **–** | **On demand** | **Unsecured, no impairment** |
| | 2014 | – | – | 1,325,237 | 450,000 | – | On demand | Unsecured, no impairment |
| | **2015** | | **₱84,221,849** | **₱69,163,698** | **₱231,620,585** | **₱14,482,595** | | |
| | 2014 | | ₱81,844,663 | ₱36,641,690 | ₱404,817,479 | ₱17,508,619 | | |

## 10. Lease Commitments

The Company purchased transportation equipment through four-year financing agreements which are payable on a monthly basis. The Company recognized the obligation and pays to Velarde, Inc. (see Note 9). The assets were capitalized since the lease term is for the major part of the economic life of the assets.

The future minimum lease payments of the Company for the obligations under finance lease are amounted to nil and ₱675,433 as of December 31, 2015 and 2014, respectively.

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

## 11. Loans Payable

On December 9, 2013, the bank has approved the conversion of the short-term loans totaling to ₱44,500,000 into a two-year term loan. The principal balance of the loan is payable on January 19, 2016.

The loans bear interest at floating effective interest rates ranging from 2.12% to 2.30% in 2015 and 2014, respectively. Interest is payable every 30 days.

Interest expense amounted to ₱1,027,530 and ₱992,688 in 2015 and 2014, respectively.

## 12. Capital Stock

On April 28, 2006, the BOD and stockholders approved the increase in the authorized capital stock from 40,000,000 shares to 1,320,000,000 shares at ₱1 par value per share. This was subsequently approved by the SEC on September 19, 2006.

On November 11, 2006, in accordance with the MOA, the Company issued the additional 1,289,278,350 shares at par value in exchange for the 2,656,580 shares of NOW Telecom (see Note 6).

On December 10, 2008, the PSE approved the application of the Company to list additional 1,289,278,350 common shares to cover the share-for-share swap transactions with stockholders of NOW Telecom Company, Inc., formerly Next Mobile, Inc. (NOW Telecom), namely, Top Mega Enterprise, Limited, GHI, Emerald Investments, Inc. (EII), Joycelink Holdings Limited and Food Camp Industries and Marketing, Inc., collectively referred to as the NOW Telecom shareholders, at a swap price of ₱1.00 per share. Also, the PSE had approved the application of the Company to transfer from SME Board to the Second Board of the PSE (see Note 6).

On February 20, 2009, the PSE issued a circular informing the investing public of the Company's listing of additional 1,289,278,350 shares effective February 24, 2009.

The PSE issued a Notice of Approval of the Company's application for transfer from SME Board to Second Board on June 11, 2009.

On March 12, 2010, the BOD approved a plan to transfer the Company from the Second Board to the First Board of the PSE as well as the listing of additional shares from a BOD-approved increase in authorized capital stock.

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

On November 7, 2014, the Company's BOD had previously approved an increase in capital stock amounting to ₱2,700,000,000. On its January 22, 2015 BOD meeting, it was agreed and approved to increase its capital stock only up to ₱2,120,000,000 or an equivalent of ₱800,000,000 increase in capital stock. Further, ₱200,000,000 of the increase capital has been subscribed by Velarde, Inc. and fully paid by the conversion of advances made by said subscriber to the Company. The Company received its certificate of approval for the increase of capital stock on December 17, 2015.

Capital stock as of December 31, 2015 and 2014 consists of the following:

| | **2015** | 2014 |
|---|---|---|
| Common stock: | | |
| Issued and outstanding | **₱1,517,278,350** | ₱1,317,278,350 |

Details of the common stocks as of December 31, 2015 and 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| Common stock - ₱1 par value | | |
| Authorized | **2,120,000,000** | 1,320,000,000 |
| Issued and outstanding | **1,517,279,350** | 1,317,279,350 |

## 13. Costs of Sales and Services

| | **2015** | 2014 |
|---|---|---|
| Cost of sales | **₱35,545,753** | ₱18,808,313 |
| Outside services | **5,816,510** | 9,206,663 |
| Advertising and promotion | **563,762** | 748,219 |
| | **₱41,926,025** | ₱28,763,195 |

## 14. General and Administrative Expenses

| | **2015** | 2014 |
|---|---|---|
| Outside services | **₱6,091,086** | ₱2,701,867 |
| Depreciation and amortization (Note 7) | **3,567,678** | 4,974,469 |
| Communication | **3,326,266** | 2,654,838 |
| Provision for impairment loss on: | | |
| Trade and other receivables (Note 4) | **3,019,167** | 6,619,366 |
| Other current assets (Note 5) | **158,767** | 547,503 |
| Taxes and licenses | **2,141,612** | 643,379 |
| Entertainment, amusement and recreation | **2,121,971** | 1,169,098 |

(Forward)

| | 2015 | 2014 |
|---|---|---|
| Office supplies | **₱887,020** | ₱739,879 |
| Transportation and travel | **785,458** | 1,761,178 |
| Professional fees | **556,437** | 1,256,090 |
| Utilities | **50,569** | 458,174 |
| Others | **1,559,778** | 1,136,331 |
| | **₱24,265,809** | ₱24,662,172 |

15. **Income Taxes**

The current provision for the income tax in 2015 and 2014 represents MCIT.

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

| | 2015 | 2014 |
|---|---|---|
| Statutory income tax at 30% | **₱2,419,886** | (₱11,218,357) |
| Additions to (reductions in) income tax resulting from: | | |
| Movement of unrecognized deferred income tax assets | **(2,365,571)** | 5,638,455 |
| Nondeductible expenses | **628,015** | 5,708,853 |
| Interest income subject to final tax | **(1,613)** | (339) |
| | **₱680,717** | ₱128,612 |

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

| | 2015 | 2014 |
|---|---|---|
| NOLCO | **₱57,933,286** | ₱136,061,476 |
| Allowance for impairment losses | **12,649,477** | 9,630,310 |
| MCIT | **812,692** | 334,540 |
| | **₱71,395,455** | ₱146,026,326 |

As of December 31, 2015, NOLCO and MCIT can be claimed as deduction from future taxable income and income tax liabilities, respectively, are as follows:

| Year Incurred | Year of Expiration | NOLCO | MCIT |
|---|---|---|---|
| 2015 | 2018 | ₱– | ₱680,717 |
| 2014 | 2017 | 11,199,273 | 128,612 |
| 2013 | 2016 | 46,734,013 | 3,363 |
| | | ₱57,933,286 | ₱812,692 |

The following are the movements in NOLCO and MCIT:

| | 2015 | 2014 |
|---|---|---|
| NOLCO: | | |
| Balances at beginning of year | **₱136,061,476** | ₱203,005,540 |
| Additions | **–** | 11,199,273 |
| Application | **(13,173,463)** | – |
| Expirations | **(64,954,727)** | (78,143,337) |
| | **₱57,933,286** | ₱136,061,476 |

| | 2015 | 2014 |
|---|---|---|
| MCIT: | | |
| Balances at beginning of year | **₱334,540** | ₱308,987 |
| Additions | **680,717** | 128,612 |
| Expirations | **(202,565)** | (103,059) |
| | **₱812,692** | ₱334,540 |

16. **Basic/Diluted EPS**

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

| | 2015 | 2014 |
|---|---|---|
| Net income (loss) (a) | **₱7,385,570** | (₱37,523,134) |
| Weighted average number of outstanding common shares for both basic and diluted EPS (b) | **1,317,278,350** | 1,317,278,350 |
| Basic/dilutive earnings (loss) per share (a/b) | **₱0.0056** | (₱0.0285) |

For the two years in the period ended December 31, 2015, there were no shares of stock that have a potentially dilutive effect on the basic EPS of the Company.

17. **Financial Instruments**

The Company's financial instruments are composed of cash, trade and other receivables, amounts owed by related parties, AFS financial assets, accounts payable and accrued expenses, amounts owed to related parties, obligations under finance lease and loans payable.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are 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. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company is not exposed to cash flow interest rate risk since a significant portion of the Company's due from affiliates has fixed interest rates. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

*Liquidity Risk*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect on the Company's credit standing.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2015 and 2014, based on contractual undiscounted cash flows. The tables also analyze the maturity profile of the Company's financial assets that can be used to finance maturing financial obligations. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

**2015**

| | **On demand** | **Within 1 year** | **More than 1 year** | **Total** |
|---|---|---|---|---|
| ***Financial assets:*** | | | | |
| **Cash** | **₱14,981,051** | **₱–** | **₱–** | **₱14,981,051** |
| **Trade and other receivables** | **73,585,590** | **–** | **–** | **73,585,590** |
| **Due from related parties** | **57,658,171** | **–** | **26,830,711** | **84,488,882** |
| | **₱146,224,812** | **₱–** | **₱26,830,711** | **₱173,055,523** |
| ***Financial liabilities:*** | | | | |
| **Accounts payable and accrued expenses*** | **73,919,354** | **₱27,023,788** | **₱–** | **₱100,943,142** |
| **Due to related parties** | **231,620,585** | **–** | **–** | **231,620,585** |
| **Future interest on loans payable** | **–** | **467,333** | **–** | **467,333** |
| **Loans payable** | **–** | **45,278,750** | **–** | **45,278,750** |
| | **₱305,539,939** | **₱72,769,871** | **₱–** | **₱378,309,810** |

**Except government payables*

2014

| | On demand | Within 1 year | More than 1 year | Total |
|---|---|---|---|---|
| *Financial assets:* | | | | |
| Cash | ₱1,414,187 | ₱– | ₱– | ₱1,414,187 |
| Trade and other receivables | 38,901,821 | – | – | 38,901,821 |
| Due from related parties | 81,844,663 | – | – | 81,844,663 |
| | ₱122,160,671 | ₱– | ₱– | ₱122,160,671 |
| *Financial liabilities:* | | | | |
| Accounts payable and accrued expenses* | ₱66,131,841 | ₱24,176,792 | ₱– | ₱90,308,633 |
| Due to related parties | 3,380,752 | – | 393,400,628 | 396,781,380 |
| Future interest on loans payable | – | 941,175 | 1,019,606 | 1,960,781 |
| Loans payable | – | – | 44,500,000 | 44,500,000 |
| | ₱69,512,593 | ₱25,117,967 | ₱438,920,234 | ₱533,550,794 |

**Except government payables*

The Company monitors its cash flow position through cash planning. The Company believes that cash advances by stockholders are sufficient to mitigate the effects of fluctuation in cash flow and to cover disbursements for the day-to-day operations of the Company.

All of the Company's financial liabilities other than the obligation under finance lease and noncurrent amounts owed to related parties are contractually due within one year.

*Credit Risk*
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables and amounts owed by related parties.

The Company's management believes that there is no significant risk in the amounts due by related parties. The BOD continually reassures the Company's strategies for managing accounts with creditors, including related parties. Advances are monitored on an ongoing basis with the result that the Company's exposure to impairment and account discrepancies is not significant. In addition, the Company manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

As of December 31, 2015 and 2014, the Company's maximum exposure to credit risk is equal to the carrying amount of its financial assets.

*Credit Quality per Class of Financial Asset*
The credit quality of financial assets is being managed by the Company using internal credit ratings. The Company considers its financial assets that are neither past due nor impaired amounting to ₱173,055,523 and ₱122,160,671 as of December 31, 2015 and 2014, respectively, as standard grade financial assets. Standard grade financial asset are those that are current and collectible.

The Company has impaired receivables amounting to ₱12,101,974 and ₱9,082,807 as of December 31, 2015 and 2014, respectively.

<u>Fair Value of Financial Instruments</u>
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash, Trade and Other Receivables, Due from Related Parties, Accounts Payable and Accrued Expenses and Due to Related Parties*
The carrying amounts of cash, trade and other receivables, amounted owed by related parties, accounts payable and accrued expenses and current amounts owed to related parties approximate their fair values due to the short-term maturity of these financial instruments.

*AFS Financial Assets*
Unquoted equity security is carried at cost or its available net book value since fair value of this AFS financial asset cannot be reliably determined as this is not listed and has no available bid price.

*Loans Payable*
The carrying amount of the loans payable as of December 31, 2014 approximates its fair value as repricing of interest occurs approximately every month, at the prevailing bank interest rates.

*Noncurrent Amounts Due from Related Party*
The fair value of noncurrent amounts due from related party were based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 2.4% as of December 31, 2015 (Level 3). The fair value and carrying value of noncurrent amounts due from related party amounted to ₱25,667,327 and ₱26,563,678, respectively.

*Noncurrent Amounts Due to Related Party*
The fair value of noncurrent amounts due to related party was based on discounted value of future cash flows using applicable credit-adjusted risk-free rates of 2.4% as of December 31, 2014 (Level 3). The fair value and carrying value of noncurrent amounts due to related party amounted to ₱366,330,248 and ₱393,400,628, respectively.

Capital Management
The Company considers the equity presented in the parent company statement 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, in light of 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.
On October 28, 2010, PSE issued a memorandum regarding the rule for the minimum public ownership for all listed companies. Based on the memorandum, listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares or as such percentage that may be prescribed by the PSE. The Company has complied with the minimum public ownership.

The total core capital considered by the Company as of December 31, 2015 and 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| Total equity | **₱1,121,219,914** | ₱913,834,344 |
| Due to related parties | **(231,620,585)** | (404,817,479) |
| Total | **₱889,599,329** | ₱509,016,865 |

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

## 18. **Business Segment Information**

The Company's operating segments are organized and managed separately according to the nature of the services offered as follows:

- IT resource services segment - provides high value ICT services to clients
- Holding /others segment - pertains to the investment and administrative operations of the Parent Company

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Financial information on the operations of the various business segments are summarized as follows:

| | 2015 | | |
|---|---|---|---|
| | **IT Resource Services** | **Holding/Others** | **Total** |
| **Service, marketing, management and consultancy fees** | **₱–** | **₱75,494,866** | **₱75,494,866** |
| **Interest income** | **–** | **472,411** | **472,411** |
| **Total revenue** | **₱–** | **₱75,967,277** | **₱75,967,277** |
| **Provision for income tax** | **₱–** | **₱680,717** | **₱680,717** |
| **Net income** | **–** | **₱7,385,570** | **₱7,385,570** |
| **Other information:** | | | |
| **Investments and advances** | **–** | **1,322,582,024** | **1,322,582,024** |
| **Capital expenditures** | **269,816** | **2,032,291** | **2,302,107** |
| **Segment assets** | **188,433** | **1,504,680,576** | **1,504,869,009** |
| **Segment liabilities** | **–** | **382,968,378** | **382,968,378** |
| **Depreciation and amortization** | **626,348** | **2,941,330** | **3,567,678** |
| **Interest expense** | **–** | **1,053,844** | **1,053,844** |

| | 2014 | | |
|---|---|---|---|
| | IT Resource Services | Holding/Others | Total |
| Service, marketing, management and consultancy fees | ₱– | ₱34,726,749 | ₱34,726,749 |
| Interest income | – | 468,163 | 468,163 |
| Total revenue | ₱– | ₱35,194,912 | ₱35,194,912 |
| Provision for income tax | ₱– | ₱128,612 | ₱128,612 |
| Net loss | – | 37,523,134 | 37,523,134 |
| Other information: | | | |
| Investments and advances | – | 1,327,582,024 | 1,327,582,024 |
| Capital expenditures | 645,067 | 4,858,736 | 5,503,803 |
| Segment assets | 182,398 | 1,456,486,513 | 1,456,668,911 |
| Segment liabilities | – | 542,834,567 | 542,834,567 |
| Depreciation and amortization | 873,327 | 4,101,142 | 4,974,469 |
| Interest expense | – | 19,001,068 | 19,001,068 |

## 19. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which amends certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosures of taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following type of taxes in 2015:

Value Added Tax

*Output VAT*

| | Gross Receipts | Output VAT |
|---|---|---|
| Taxable sales | ₱44,376,010 | ₱5,325,121 |
| Zero-rated sales | 344,854 | – |
| Balance at December 31 | ₱44,720,864 | ₱5,325,121 |

Zero-rated sales of services consist of export sales and those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

*Input VAT*

| | |
|---|---|
| Balance at January 1 | ₱435,960 |
| Current year's domestic purchases/payments for services: | 5,415,366 |
| | 5,851,326 |
| Application of output VAT | (5,325,121) |
| Balance at December 31 | ₱526,205 |

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the "Taxes and licenses" account in the parent company statement of comprehensive income:

| | |
|---|---|
| Documentary stamp tax | ₱1,656,338 |
| License and permits | 337,256 |
| Others | 148,018 |
| | ₱2,141,612 |

Documentary stamp taxes pertain to loan instruments and application for the increase in capital stock.

Withholding Taxes

Details of withholding taxes for the year are as follows:

| | |
|---|---|
| Expanded withholding taxes | ₱821,681 |
| Withholding taxes on compensations | 56,597 |
| | ₱878,278 |

Tax Assessment and Cases
The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2015.

ANNEX "C"

COVER SHEET

A 1 9 9 6 0 0 1 7 9

NOW CORPORATION

(Company's full name)

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

(Business Address: No. Street/City/Province)

ANGELINE L. MACASAET
Contact Person

750-0211
Company Telephone Number

0 4 | 2 8
Month | Day

Annual Corporate Governance Report for 2015
Form Type

Month Day
Annual Meeting

2015
Fiscal Year

Secondary License Type, If Applicable

C F D
Dept. Requiring this doc.

Amended Articles
Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

Remark = pls. Use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM – ACGR**
**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **2015**

2. Exact Name of Registrant as Specified in its Charter **NOW Corporation**

3. **Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City, 1229**
   Address of Principal Office Postal Code

4. SEC Identification Number **A199600179**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **004-668-224**

7. **(02) 750-0211**
   Issuer's Telephone number, including area code

8. N/A
   Former name or former address, if changed from the last report

# TABLE OF CONTENTS

## A. BOARD MATTERS

1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | *11* |
| Actual number of Directors for the year | *10* |

(a) Composition of the Board
Complete the table with information on the Board of Directors:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (If ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID)[1] | Elected when (Annual /Special Meeting) | No. of years served as director |
|---|---|---|---|---|---|---|---|
| *Thomas G. Aquino* | *ED* | *Velarde, Inc.* | *Mel V. Velarde* | *2 June 2011* | *4 June 2015* | *Annual* | *4* |
| *Jose S. Alejandro* | *ED* | *PCD* | *Mel V. Velarde* | *1 September 2005* | *4 June 2015* | *Annual* | *10* |
| *Mel V. Velarde* | *ED* | *PCD* | *Thomas G. Aquino* | *1 September 2005* | *4 June 2015* | *Annual* | *10* |
| *Marcelito R. Ordoñez* | *NED* | *Velarde, Inc.* | *Mel V. Velarde* | *21 January 2008* | *4 June 2015* | *Annual* | *7* |
| *Vicente Martin W. Araneta III* | *NED* | *Velarde, Inc.* | *Mel V. Velarde* | *13 March 2012* | *4 June 2015* | *Annual* | *3* |
| *Gerard Brin R. Bautista* | *NED* | *Velarde, Inc.* | *Mel V. Velarde* | *7 June 2012* | *4 June 2015* | *Annual* | *3* |
| *Eliseo M. Rio, Jr.* | *ID* | *Foodcamp Industries and Marketing, Inc.* | *Mel V. Velarde, no business relationship with the ID* | *4 June 2015* | *4 June 2015, 1 year* | *Annual* | *1* |
| *Marlou B. Ubano* | *ID* | *Gamboa Holdings, Inc.* | *Mel V. Velarde, no business relationship with the ID, except for legal representation in some cases* | *6 June 2013* | *4 June 2015, 2 years* | *Annual* | *2* |
| *Ramon Guillermo R. Tuazon* | *NED* | *Foodcamp Industries and Marketing, Inc.* | *Mel V. Velarde* | *05 June 2014* | *4 June 2015* | | *1* |
| *Angeline L. Macasaet* | *ED* | *Velarde, Inc.* | *Mel V. Velarde* | *4 June 2009* | *4 June 2015* | *Annual* | *6* |

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

*The Company's corporate governance policy is embodied in its Revised Manual on Corporate Governance (the "Revised Manual") which is a framework of rules, systems and processes in the Company that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders. The Revised Manual contains provisions on Adequate and Timely Information (Article 4), Accountability and Audit (Article 5), Governance Self-Rating System (Article 7), Disclosure and Transparency (Article 8) and Commitment to Good Corporate Governance (Article 9). The Composition of the Board, Qualifications and Disqualifications of the Board and Board Responsibilities are provided under Board*

[1] Reckoned from the election immediately following January 2, 2012.

*Governance (Article 3).*

*The disclosure duties rest mainly on the Compliance Officer of the Company as provided also under Board Governance (Article 3).*

*In addition, the Revised Manual contains a provision on Stockholders' Rights and Protection of Minority Stockholders' Interests (Article 7) as provided under the Corporation Code and the Revised Code of Corporate Governance. The rights of minority stockholders and stakeholders are accorded respect through their: (i) right to vote on all matters that require their consent or approval; (ii) right to inspect corporate books and records; (iii) right to information; (iv) right to dividends; and (v) appraisal right.*

(c) How often does the Board review and approve the vision and mission?

*The Board reviews and approves the vision and mission when the need arises or when there is a move to review and approve the vision and mission.*

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| *Thomas G. Aquino* | *Now Telecom Company, Inc.* | *President* |
| *Thomas G. Aquino* | *Foodcamp Industries and Marketing, Inc.* | *Director-Chairman* |
| *Thomas G. Aquino* | *i-Resource Consulting International, Inc.* | *Director-Chairman* |
| *Mel V. Velarde* | *Velarde, Inc.* | *Director-Chairman* |
| *Mel V. Velarde* | *Now Telecom, Inc.* | *Vice Chairman* |
| *Mel V. Velarde* | *Gamboa Holdings, inc.* | *Director-Chairman* |
| *Mel V. Velarde* | *Emerald Investments, Inc.* | *Director* |
| *Mel V. Velarde* | *Foodcamp Industries and Marketing, Inc.* | *President* |
| *Jose S. Alejandro* | *Now Telecom Company, Inc.* | *Director-Chairman* |
| *Jose S. Alejandro* | *Emerald Investments, Inc.* | *Director-Chairman* |
| *Angeline L. Macasaet* | *Gamboa Holdings inc* | *Director* |
| *Angeline L. Macasaet* | *Emerald Investments, Inc.* | *Director* |
| *Angeline L. Macasaet* | *Foodcamp Industries and Marketing, Inc.* | *Director* |
| *Angeline L. Macasaet* | *i-Resource International Consulting, Inc.* | *Director* |

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| *Thomas G. Aquino* | *Alsons Consolidated Resources, Inc.* | *Independent Director* |
| *Thomas G. Aquino* | *A Brown Company, Inc.* | *Independent Director* |

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|---|---|---|
| *Thomas G. Aquino* | *Foodcamp Industries and Marketing, Inc.* | *Director-Chairman* |
| *Mel V. Velarde* | *Velarde, Inc.* | *Director-Chairman* |
| *Mel V. Velarde* | *Gamboa Holdings, Inc.* | *Director-Chairman* |
| *Mel V. Velarde* | *Emerald Investments, Inc.* | *Director* |
| *Mel V. Velarde* | *Foodcamp Industries and Marketing, Inc.* | *President* |
| *Jose S. Alejandro* | *Emerald Investments, Inc.* | *Director-Chairman* |
| *Angeline L. Macasaet* | *Gamboa Holdings Inc.* | *Director* |
| *Angeline L. Macasaet* | *Emerald Investments, Inc.* | *Director* |
| *Angeline L. Macasaet* | *Foodcamp Industries and Marketing, Inc.* | *Director* |

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

*The Company has not formally set a limit on the number of board seats in other companies that an individual director or the President or CEO may simultaneously hold. However, as a matter of practice, the directors and the President observe the limit of 5 board seats in other publicly listed companies.*

*The Board may adopt guidelines on the number of board seats in other companies that an individual director or the President may simultaneously hold especially with other publicly-listed companies, taking into consideration the capability of a director to perform his duties as such effectively and efficiently.*

| | Guidelines | Maximum Number of Directorships in other companies |
|---|---|---|
| Executive Director | *Please refer to the above discussion.* | *None* |
| Non-Executive Director | *Please refer to the above discussion.* | *None* |
| CEO | *Please refer to the above discussion.* | *None* |

(e) Shareholding in the Company

Complete the following table on the members of the company's board of Directors who directly and indirectly own shares in the company:

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| *Thomas G. Aquino* | 1 | Velarde, Inc. | .0000 |
| *Mel V. Velarde* | 10 | PCD | .0000 |
| *Jose S. Alejandro* | 10 | PCD | .0000 |
| *Marcelito R. Ordoñez* | 1 | Velarde, Inc. | .0000 |
| *Vicente Martin W. Araneta III* | 1 | Velarde, Inc. | .0000 |
| *Ramon Guillermo R.Tuazon* | 1 | Foodcamp Industries and Marketing, Inc. | .0000 |
| *Gerard Bnn R. Bautista* | 1 | Velarde, Inc. | .0000 |
| *Eliseo M. Rio, Jr.* | 1 | Foodcamp Industries | .0000 |

| | | | |
|---|---|---|---|
| | | and Marketing, Inc. | |
| *Marlou B. Ubano* | 1 | Gamboa Holdings, Inc. | .0000 |
| *Angeline L. Macasaet* | 1 | Velarde, Inc. | .0000 |
| **TOTAL** | **28** | | .0000 |

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X] No [ ]

Identify the Chair and CEO:

| | |
|---|---|
| Chairman of the Board | *Thomas G. Aquino* |
| CEO/President | *Mel V. Velarde* |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|---|---|---|
| Role | *Presides over the Meetings of the Board of Directors and stockholders* | *Shall have administration and direction of the day-to-day business affairs of the corporation* |
| Accountabilities | *1. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;*<br>*2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and*<br>*3. Maintain qualitative and timely lines of communication and information between the Board and Management.* | *In the Company's By-Laws the President shall exercise the following functions:*<br>*1. To preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman;*<br>*2. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;*<br>*3. To have general supervision and management of the business affairs and property of the corporation;*<br>*4. To ensure that the administrative and operational policies of the corporation are carried out under his supervision and control;*<br>*5. Subject to guidelines prescribed by law, to appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;*<br>*6. To oversee the preparation of the budgets and the statements of accounts of the corporation;*<br>*7. To prepare such statements and reports of the corporation as may be required of him by law.*<br>*8. To represent the corporation at all functions and proceedings;*<br>*9. To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the* |

| | | |
|---|---|---|
| | | corporation which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors;<br>10. To make reports to the Board of Directors and stockholders;<br>11. To sign certificates of stock;<br>12. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors. |
| Deliverables | *None* | *The President, with the support of the Company's Treasurer and other officers, shall prepare and submit a Report on the Company's financial statements and operations. The Report is presented during the annual stockholders' meeting.* |

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

*The succession plan is determined by the Board as the need arises.*

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

*Yes. The Nomination Committee encourages the stakeholders to nominate as members of the Board, individuals with diverse experience and background.*

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

*Yes. The process of electing a director involves a review of the qualifications of the nominees, and the Nomination Committee ensures that at least one non-executive director with experience in the same industry as the Company will be qualified for election during the annual stockholders' meeting.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

| | Executive | Non-Executive | Independent Director |
|---|---|---|---|
| Role | 1. Manages the day-to-day operations of the Company<br>2. Formulates strategic business plans<br>3. Implements the business plans | 1. Provides assistance to the executive directors in directing the business affairs of the Company<br>2. Provides creative criticism of the implementation of the business plan | 1. Coordinates with the executive and non-executive directors in formulating strategic business plans<br>2. Provides independent judgment and diversity of views and perspectives in reviewing the business plan |
| Accountabilities | *Executive directors are tasked to implement corporate business plans, decisions and policies, and are involved in the Company's day-to-day operations.* | *Non-executive directors oversee the Company's activities ensuring that sound business decisions are made and that the Board is performing its role in accordance with the Company's business plans and* | *Independent directors ensure that the formulation of effective business plans involves independent judgment and diversity of views and perspectives.* |

| | | | |
|---|---|---|---|
| | | *strategies.* | |
| Deliverables | *In the performance of their primary functions, executive directors submit reports to the Board and sound proposals and recommendations for consideration of the Board.* | *Non-executive directors are expected to render an effective scrutiny of the performance of management and the board in meeting the agreed goals and objectives.* | *Independent directors are expected to render a thorough consideration of the issues, an informed debate and deliberation of ideas during the Board meetings.* |

Provide the company's definition of "independence" and describe the company's compliance to the definition.

*An "independent director" is described in the Company's Revised Manual as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationships which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.*

*The Nomination Committee ensures that the nominees for independent directorship, apart from their fees and shareholdings, are independent of management and free from any business or other relationships which could, or could reasonably be perceived to materially interfere with their exercise of independent judgment in carrying out their responsibilities as such independent directors.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

*Yes. Article III, Section 9 of the Company's By-Laws provides that the Company adopts by reference the requirements of Section 38 of the Securities Regulation Code and its implementing Rules and Regulations on independent directors. The Company strictly adheres to the provisions of SEC Memorandum Circular No. 09-2011, which took effect on 02 January 2012, which provides that Independent Directors can serve for a period of five (5) consecutive years, and therefore must undergo a cooling off period of two (2) years before he may be eligible for re-election as an Independent Director. An Independent Director who has been re-elected after the cooling-off period can serve for another four (4) additional years.*

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

| Name | Position | Date of Cessation | Reason |
|---|---|---|---|
| *Rodrigo Joaquin H. Nepomuceno* | Director | 10 December 2015 | Possible conflict of interest |

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

*Under Philippine law, directors are elected, not appointed, at the annual meeting of stockholders. When there is a vacancy, the remaining directors, if they still constitute a quorum, may elect another director to fill up the vacancy (Sec. 29, Corporation Code).*

| Procedure | Process Adopted | Criteria |
|---|---|---|
| a. Selection/Appointment | | |
| (i) Executive Directors | ***Regular Process:***<br>*1. The stockholders submit to the Nomination Committee the nominees to* | *Article 3 of the Company's Revised Manual provides that in addition to the qualifications for membership in the* |

| | | |
|---|---|---|
| | *the Board for validation.*<br>*2. The Nomination Committee prepares a list of nominees to the incumbent board for notation.*<br>*3. The Board then submits to the stockholders a final list of nominees for election during the annual stockholders' meeting.*<br><br>***Vacancy*** *(as provided under Article III, Section 3, of the By-Laws): Any vacancy occurring other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose.* | *Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board shall include practical understanding of the business of the corporation and majority of the members of the Board shall be holders of college degrees.* |
| (ii) Non-Executive Directors | *Same* | *In addition to the above, the Company's Revised Manual provides that non-executive directors of the Company shall possess qualifications and stature that will enable them to participate in the deliberations of the Board.* |
| (iii) Independent Directors | *Same* | *In addition to the above, the Company's Revised Manual provides that the independent director is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.* |
| **b. Re-appointment** | | |
| (i) Executive Directors | *Same procedure for the election of Directors above is used for re-election* | *Same criteria for the election of directors is used for re-election* |
| (ii) Non-Executive Directors | *Same procedure for the election of Directors above is used for re-election* | *Same criteria for the election of directors is used for re-election* |
| (iii) Independent Directors | *Same procedure for the election of Directors above is used for re-election* | *Same criteria for the election of directors is used for re-election* |
| **c. Permanent Disqualification** | | |
| (i) Executive Directors | *During the initial selection process, the Nominations Committee will determine whether any ground for permanent disqualification exists. If it is determined that ground(s) exist, the nominee will not be included in the list of candidates for election at the annual stockholders' meeting.*<br><br>*With respect to an incumbent director, when there is reasonable ground to believe that a ground for disqualification exists (as provided in the Company's Revised Manual and relevant laws and SEC rules), this is brought to the attention of the Nominations Committee, which* | *The Company's Revised Manual provides the following grounds for the permanent disqualification of a director:*<br><br>*(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his* |

| | | |
|---|---|---|
| | submits its recommendation to the Board. Note that under the Corporation Code the removal of an incumbent director requires the vote of 2/3 of the entire outstanding capital stock at a stockholders' meeting duly called and convened. Where the Board, after due consideration, determines there is ground for disqualification, the Board acting alone does not have the authority to remove the director as to do so would violate the Corporation Code. | fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;<br><br>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasibank, trust company, investment house, or investment 'company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.<br><br>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body 'denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;<br><br>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;<br><br>(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, |

| | | |
|---|---|---|
| | | *counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;*<br><br>*(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;*<br>*(vi) Any person judicially declared as insolvent;*<br><br>*(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;*<br><br>*(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.* |
| (ii) Non-Executive Directors | *Same* | *Same* |
| (iii) Independent Directors | *Same* | *Same* |
| **d. Temporary Disqualification** | | |
| (i) Executive Directors | *The procedure for determining permanent disqualification is followed.*<br>*In the event it is determined that a ground for temporary disqualification exists, the nominee is not included in the list of candidates for election at the annual stockholders' meeting.* | *The Company's Revised Manual provides the following grounds for the temporary disqualification of a director:*<br><br>*(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.*<br><br>*(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.*<br><br>*(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from* |

| | | |
|---|---|---|
| | | *any involvement in the cause that gave rise to his dismissal or termination.*<br><br>*(iv) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.* |
| (ii) Non-Executive Directors | *The same process for executive directors is followed for non-executive directors.* | *The same criteria for temporary disqualification of an executive director is followed.* |
| (iii) Independent Directors | *The same process for executive directors is followed for independent directors.* | *The same criteria for temporary disqualification of an executive director is followed.* |
| **e. Removal** | | |
| (i) Executive Directors | *The Corporation Code mandates the procedure and requirements for the removal of directors.*<br><br>*Directors who hold executive positions in the Company serve in such executive position at the pleasure of the Board. They may be removed from such executive position on the basis of loss of trust and confidence by the Board, or for commission of wrongful acts or for the omission to take action when required.* | *Please see note to the left.* |
| (ii) Non-Executive Directors | *The same process for executive directors is followed for non-executive directors.* | |
| (iii) Independent Directors | *The same process for executive directors is followed for independent directors.* | |
| **f. Re-instatement** | | |
| (i) Executive Directors | *There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.* | *Not applicable* |
| (ii) Non-Executive Directors | *There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.* | *Not applicable* |
| (iii) Independent Directors | *There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.* | *Not applicable* |
| **g. Suspension** | | |
| (i) Executive Directors | *There is no set procedure for suspension of any director.* | *Not applicable* |
| (ii) Non-Executive Directors | *There is no set procedure for suspension of any director.* | *Not applicable* |
| (iii) Independent Directors | *There is no set procedure for suspension of any director.* | *Not applicable* |

| Name of Director | Votes Received |
|---|---|
| *Thomas G. Aquino* | *1,028,926,119* |
| *Jose S. Alejandro* | *1,028,926,119* |
| *Mel V. Velarde* | *1,028,926,119* |
| *Marcelito R. Ordoñez* | *1,028,926,119* |
| *Vicente Martin W. Araneta III* | *1,028,926,119* |
| *Gerard Bnn R. Bautista* | *1,028,926,119* |
| *Eliseo M. Rio, Jr.* | *1,028,926,119* |
| *Ramon Guillermo R. Tuazon* | *1,028,926,119* |
| *Marlou B. Ubano* | *1,028,926,119* |
| *Angeline L. Macasaet* | *1,028,926,119* |

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

*Depending on the qualifications and experience of the director, he or she may be required to attend a seminar or training on corporate governance conducted by a duly recognized training institute before assuming such position.*

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|---|---|---|
| *Thomas G. Aquino* | *September 20 - 27,2012* | *Basic Cooperative Course* | *Cooperative Union of Mandaluyong City, Philippines* |
| *Mel V. Velarde* | *April 13-15, 2015* | *2015 Broadcast Management Conference* | *National Association of Broadcasters, USA* |
| *Mel V. Velarde* | *November 26 to 29, 2012* | *Digital Media Asia 2012* | *WAN-IFRA Asia Pacific, Kuala Lumpur, Malaysia* |
| *Mel V. Velarde* | *April 7 to 25, 2013* | *NAB Show 2013- "Where content comes to Life"* | *NAB Show Official Communications, Las Vegas, Nevada, USA* |
| *Mel V. Velarde* | *June 18-21, 2013* | *CommunicAsia 2013* | *Singapore Exhibition Services Pte Ltd., Sands Expo And Convention Centre, Singapore* |
| *Mel V. Velarde* | *June 24 to 25, 2013* | *7th GTI Workshop* | *GTI, Pudong Shanghai 200135, China* |
| *Gerard Bnn R. Bautista* | *2012* | *Financial Forecasting* | *Center for Research and Communications, Philippines* |
| *Gerard Bnn R. Bautista* | *February 18-19, 2016* | *Understanding and Implementing ISO 9001: 2015* | *Certification International Philippines, Inc.* |
| *Vicente Martin W. Araneta III* | *April 1, 2016* | *Sales and Negotiations* | *Reuben Pangan* |
| *Angeline L. Macasaet* | *December 2014* | *Mandatory Continuing Legal Education Compliance V* | *UP Law Center, Philippines* |
| *Angeline L. Macasaet* | *June 22, 2012* | *Accounting for Non-Accountants* | *Arival Events Management, Inc., Philippines* |
| *Angeline L. Macasaet* | *December 11, 2012* | *Best Practices Guide to Valid Job Contracting & Subcontracting* | *Center for Global Best Practices, Philippines* |

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|---|---|---|
| | | | |
| *Thomas G. Aquino* | *May 18-19, 2012* | *Corporate Governance for the Common Good* | *Center for Professional Development in Business and Economics, De La Salle University, Philippines* |
| *Thomas G. Aquino* | *July 3 & 4, 2013* | *Board of Directors' Guide for Audit Committees* | *Center for Global Best Practices, Philippines* |

## B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| (a) Conflict of Interest | *In the Company's Revised Manual on Corporate Governance (the "Revised Manual"), a director is mandated to ensure that his personal interest does not conflict with the interests of the Company. In addition, the Nomination and Election Committee is mandated to consider possible conflicts of interest in the determination of the nominees for election to the Board.*<br><br>*If an actual or potential conflict of interest may arise, the director is encouraged to fully and immediately disclose it, and should not participate in the decision-making process. A director who has a continuing material conflict of interest is encouraged to consider voluntary resignation from his position.* | *In the Company's Revised Manual, the Compensation Committee is mandated to develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. The Compensation Committee is also mandated to develop or review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest.*<br><br>*The officers are also encouraged to disclose any potential conflict of interest.* | *Same as for Senior Management.* |
| (b) Conduct of Business and Fair Dealings | *In the Company's Revised Manual, a director is mandated to conduct fair business transactions with the Company.* | *The conduct of business by senior management with the Company is not encouraged. If there are any, they are on an arms-length basis. Senior management must conduct business transactions with the Company, if any, fairly, and must ensure that his personal interest does not conflict with the interests of the Company.* | *The conduct of business by employees with the Company is not allowed.* |

| | | | |
|---|---|---|---|
| (c) Receipt of gifts from third parties | The Company requires that all its directors, officers and employees to not take, offer, or authorize any payment, gift, promise or 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 or political party official or candidate for office, where such payment, gift, promise or advantage would violate applicable laws of the Philippines. However, Token gifts are deemed acceptable.<br><br>The Company does not have knowledge of any case where a director received a substantial gift by reason of being a director of the Company. | Same as for Directors. | Same as for Senior Management. |
| (d) Compliance with Laws & Regulations | The Company's Revised Manual requires the Board to keep their activities and decisions within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations. The directors are also mandated to have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies. In line with the above, the Corporate Secretary is required to ensure that all Board procedures, rules and regulations are strictly followed by the members. | The Audit Committee is mandated in the Company's Revised Manual on Corporate Governance to coordinate, monitor and facilitate compliance with laws, rules and regulations. | Same as for Senior Management. |
| (e) Respect for Trade Secrets/Use of Non-public Information | All information, data, technical or otherwise, proprietary to the Company obtained by the director, senior management, or employee while under its employ, are proprietary and confidential in nature and shall not be used, divulged, | Same as for Directors. | Same as for Senior Management. |

| | | | |
|---|---|---|---|
| | *printed or reproduced without the Company's prior written consent. During the regular course of employment, such information/data and/or such material containing the same may be used only in relation to official Company business and operations.* | | |
| (f) Use of Company Funds, Assets and Information | *Strictly prohibited if for personal use or use of personal business.* | *Strictly prohibited if for personal use or use of personal business.* | *Strictly prohibited if for personal use or use of personal business.* |
| (g) Employment & Labor Laws & Policies | *The directors are not employees of the Company.* | *The Senior Management are not employees of the Company.* | *The Company currently has no employees in its manpower complement.* |
| (h) Disciplinary action | *There is no policy or procedure under which a director may be subject to disciplinary action. However, they may be subject to criminal prosecution or civil action when warranted under Philippine law.* | *They may be subject to criminal prosecution or civil action when warranted under Philippine law.* | *They may be subject to criminal prosecution or civil action when warranted under Philippine law.* |
| (i) Whistle Blower | *The Company has adopted a whistle blower policy.* | *The Company has adopted a whistle blower policy.* | *The Company has adopted a whistle blower policy.* |
| (j) Conflict Resolution | *The Company's Revised Manual mandates the Board to establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.* | *The Company's Revised Manual mandates the Board to establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders and the Company and third parties, including the regulatory authorities.* | *The Company's Revised Manual mandates the Board to establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.* |

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

*The Company has its code of ethics and upon approval by the Board disseminated it to its directors, senior management and consultants.*

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

*The Company has established a system to ensure proper implementation and compliance monitoring of its code of ethics or conduct.*

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures |
|---|---|
| (1) Parent Company | *Not applicable. The Company has no parent company.* |
| (2) Joint Ventures | *Not applicable. The Company has not entered into joint ventures.* |
| (3) Subsidiaries | *All related party transactions are fully disclosed and subjected to regular audit by the external auditors. All related party transactions are approved/ratified by the Board.* |
| (4) Entities Under Common Control | *Same as (3)* |
| (5) Substantial Stockholders | *Same as (3)* |
| (6) Officers including spouse/children/siblings/parents | *Same as (3)* |
| (7) Directors including spouse/children/siblings/parents | *Same as (3)* |
| (8) Interlocking director relationship of Board of Directors | *Same as (3)* |

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

| | Details of Conflict of Interest (Actual or Probable) |
|---|---|
| Name of Director/s | *None* |
| Name of Officer/s | *None* |
| Name of Significant Shareholders | *None* |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

| | Directors/Officers/Significant Shareholders |
|---|---|
| Company | *For transactions in the ordinary course of business, the Management Committee shall exercise its judgement with regard to any possible conflict of interest.*<br><br>*For transactions that are not in the ordinary course, possible conflict is considered and included in the report to the Board for its consideration. The Board will exercise its judgment in respect to this matter.* |
| Group | *Same as above.* |

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship |
|---|---|---|
| *None* | | |

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description |
|---|---|---|
| *Gamboa Holdings, Inc.* | *Creditor-debtor relationship* | *Advances for various operational expenses* |
| *Emerald Investments, Inc.* | *Creditor-debtor relationship* | *Advances for various operational expenses* |
| *Velarde, Inc.* | *Creditor-debtor relationship* | *Advances for various operational expenses* |

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|---|---|---|
| *None.* | | |

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

| | Alternative Dispute Resolution System |
|---|---|
| Corporation & Stockholders | *The Company shall establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.* |
| Corporation & Third Parties | *Same* |
| Corporation & Regulatory Authorities | *Same* |

## C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

*As far as practicable, the Board of Directors' meetings are scheduled quarterly, starting every March of the year.*

2) Attendance of Directors *(for 2015)*

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|---|---|---|---|---|---|
| *Chairman* | *Thomas G. Aquino* | *June 4, 2015* | *4* | *4* | *100* |
| *Vice-Chairman* | *Jose S. Alejandro* | *June 4, 2015* | *4* | *4* | *100* |
| *Member* | *Mel V. Velarde* | *June 4, 2015* | *4* | *4* | *100* |
| *Member* | *Marcelito R. Ordoñez* | *June 4, 2015* | *4* | *4* | *100* |
| *Member* | *Vicente Martin W. Araneta III* | *June 4, 2015* | *4* | *3* | *75* |
| *Member* | *Gerard Brn R. Bautista* | *June 4, 2015* | *4* | *4* | *100* |
| *Member* | *Ramon Guillermo R. Tuazon* | *June 4, 2015* | *4* | *2* | *50* |
| *Independent* | *Eliseo M. Rio, Jr,* | *June 4, 2015* | *2* | *2* | *100* |
| *Independent* | *Marlou B. Ubano* | *June 4, 2015* | *4* | *3* | *75* |
| *Member* | *Angeline L. Macaset* | *June 4, 2015* | *4* | *4* | *100* |

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

*So far as is known to the Company, non-executive directors do not hold meetings amongst themselves exclusively.*

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

*No. Under Article II, Section 6, of the Company's By-Laws, a majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.*

5) Access to Information

(a) How many days in advance are board papers[3] for board of directors meetings provided to the board? - *As far as practicable, the board papers are provided to the members of the Board one week before the scheduled meeting.*

(b) Do board members have independent access to Management and the Corporate Secretary? - *Yes.*

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? - *The Secretary shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the Company's formal actions and transactions. She assists the Chairman in the preparation of the board agenda, facilitates training of directors and keeping the directors updated regarding any relevant statutory and regulatory changes.*

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. - *Yes.*

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

| Committee | Details of the procedures |
|---|---|
| Executive | *N/A* |
| Audit | *The directors may request for any Company information at any time from the Corporate Secretary or the concerned officers.* |
| Nomination | *The directors may request for any Company information at any time from the Corporate Secretary or the concerned officers.* |
| Compensation | *The directors may request for any Company information at any time from the Corporate Secretary or the concerned officers.* |
| Others (Management) | *The directors may request for any Company information at any time from the Corporate Secretary or the concerned officers.* |

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|---|---|
| *The Company and its directors may seek external advisory services as the need for it arises. The engagement of any such external advisory services is approved by the Board.* | *For legal matters, the Company engaged the services of CFA Law on a retainer basis.* |

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | Changes | Reason |
|---|---|---|
| *None* | | |

## D. REMUNERATION MATTERS

[3] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|---|---|
| (1) Fixed remuneration | *The Company's Revised Manual provides that the Compensation Committee shall designate the amount of remuneration of the corporate officers, taking into consideration the experience and the duties of such officer, to be ratified by the Board.* | *The President/CEO determines the remuneration, subject to review by the Compensation Committee in the exercise of its oversight function, and ratification by the Board.* |
| (2) Variable remuneration | *None* | *None* |
| (3) Per diem allowance | *The CEO receives a fixed per diem allowance when attending board meetings.* | *None* |
| (4) Bonus | *None* | *None* |
| (5) Stock Options and other financial instruments | *None* | *None* |
| (6) Others (specify) | *None* | *None* |

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|---|---|---|---|
| Executive Directors | *The remuneration of executive directors must be competitive to attract and retain highly competent members.*<br><br>*The Company's By-Laws provide that the Board shall receive and allocate as compensation, an amount of not more than ten percent (10%) of the net income before income tax of the Company during the preceding year.*<br><br>*The Company's By-Laws also provide that, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board.* | *Fixed remuneration, and fixed per diem for attendance at each meeting* | *The Board determines the remuneration upon recommendation by the President and the Compensation Committee, taking into consideration the experience and the duties of such executive director, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.*<br><br>*As per the Company's By Laws, the Board determines the per diem subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.* |
| Non-Executive Directors | *The Company's By-Laws provide that, by resolution of the Board, each director shall receive a reasonable per diem* | *Fixed per diem for attendance at each meeting* | *As per the Company's By Laws, the Board determines the per diem subject to the approval of stockholders representing at least a* |

| | | | |
|---|---|---|---|
| | *allowance for his attendance at each meeting of the Board.* | | *majority of the outstanding capital stock at a regular or special meeting of the stockholders.* |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

| Remuneration Scheme | Date of Stockholders' Approval |
|---|---|
| *None* | *None* |

3) Aggregate Remuneration *(as of 31 December 2015)*

Complete the following table on the aggregate remuneration accrued during the most recent year:

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|---|---|---|---|
| (a) Fixed Remuneration | *6,858,807.84* | *475,354.73* | *0* |
| (b) Variable Remuneration | *0* | *0* | *0* |
| (c) Per diem Allowance | *25,000.00* | *25,000.00* | *65,000.00* |
| (d) Bonuses | *0* | *0* | *0* |
| (e) Stock Options and/or other financial instruments | *0* | *0* | *0* |
| (f) Others (Specify) | *0* | *0* | *0* |
| **Total** | 6,883,807.84 | 500,354.73 | 65,000.00 |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|---|---|---|
| 1) Advances | *0* | *0* | *0* |
| 2) Credit granted | *0* | *0* | *0* |
| 3) Pension Plan/s Contributions | *0* | *0* | *0* |
| (d) Pension Plans, Obligations incurred | *0* | *0* | *0* |
| (e) Life Insurance Premium | *0* | *0* | *0* |
| (f) Hospitalization Plan | *93,788.80* | *0* | *0* |
| (g) Car Plan | *0* | *0* | *0* |
| (h) Others (Specify) | *0* | *0* | *0* |
| **Total** | *93,788.80* | *0* | *0* |

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

| Director's Name | Number of Direct Option/Rights/ Warrants | Number of Indirect Option/Rights/ Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|---|---|---|---|---|
| *None* | | | | |

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

| Incentive Program | Amendments | Date of Stockholders' Approval |
|---|---|---|
| *The Personnel Incentive Program has been discontinued.* | *Not applicable* | *Not applicable.* |

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

| Name of Officer/Position | Total Remuneration |
|---|---|
| *Maria Nenita G. Libid* | *4,354,839.64* |
| *Joel Gonzales* | |
| *Edgar Tanquizon* | |
| *Kristian Noel A. Pura* | |
| *Rosalinda Hulguin* | |

## E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members: Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| Executive | *N/A* | | | | | | |
| Audit and Risk | *0* | *2* | *1* | *Audit and Risk Committee Charter* | The primary responsibility of the Committee is oversight. | *It's key responsibilities are with respect to:*<br>*1. Financial Reporting and Disclosures*<br>*2. Risk Management and Internal Controls*<br>*3. Management and Internal Audit; and*<br>*4. External Audit* | *May disallow any non-audit work that will conflict with the duties of an external auditor or may pose a threat to his independence* |
| Nomination | *1* | *1* | *1* | *Nomination Committee Charter* | *Reviews and evaluates qualifications of all persons nominated to the board and* | *1. review the qualifications of the nominees for the Board and determine whether any ground for disqualification exists;* | *May disqualify a nominee for a board seat or any other appointments* |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | other appointments that require Board approval | 2. ensure that at least one non-executive director with experience in the same industry as the Company will be qualified for election during the annual SH meeting;<br>3. set a limit on the number of board seats in other companies that a director or the President or CEO of the Company may simultaneously hold especially with other publicly-listed companies;<br>4. review the qualifications of the nominees for positions in the Company requiring appointment by the Board and shall determine whether any ground for disqualification against the nominees exists. other relevant laws or rules of the Securities and Exchange Commission;<br>5. appoint competent, professional, honest & highly motivated management officers. | that require a board approval |
| Compensation | 1 | 1 | 1 | Compensation Committee Charter | Establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers, and exercises oversight function over the remuneration of senior management and other key personnel to ensure that the compensation is consistent with the Company's strategy, culture, and control environment | 1. establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, & officers;<br>2. establish pension, retirement, bonus, profit-sharing, or other types of incentives or compensation plans for the employees, officers and directors of the Company and to determine the persons to participate in any such plans and the amount of their respective participation;<br>3. review remuneration of senior management and other key personnel as fixed by the President;<br>4. determine reasonable per diem allowance of the directors for attendance at each meeting of the Board subject to ratification by the Board;<br>5. designate the amount of remuneration of the executive officers subject to ratification by the Board;<br>6. ensure that the SH have the opportunity at a regular or special meeting to approve the decision on total remuneration of members of the Board;<br>7. develop a form on Full | May disallow any director to decide his or her own remuneration |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | *Business Interest Disclosure as part of the pre-employment requirements for all incoming officers;*<br>*8. develop the Personnel Handbook to establish provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of employees concerned with all statutory requirements that must be periodically met in their respective posts.* | |
| Others (Management Committee) | 3 | 0 | 0 | *Management Committee Charter* | *Takes charge of the day to day operations of the Company* | *1. Appoint and remove any officers of the Company, except the President, Treasurer and Corporate Secretary;*<br>*2. Approve or amend the annual business plan approved by the SH to govern the operation, expenditures, activities, making of capital call, sourcing of funds, and budget of the Company;*<br>*3. Approve each annual operating budget or capital budget of the Company, and of any material amendment, modification or deviation and of any disbursement of expenses not reflected in such budget;*<br>*4. Approve any individual expenditure, including multiple components of a single order or system, which expenditure is not part of the business plan approved by the SH;*<br>*5. Approve borrowing, or guarantee of or agreement to indemnify for any one liability in each case not provided for in an approved budget; and*<br>*6. Approve transaction between the Company and any SH.* | *Removal of Company officers, except the President, Treasurer and Corporate Secretary* |

*The above Committees may also carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committees shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to its respective purpose.*

2) Committee Members

(a) Executive Committee: *NOT APPLICABLE*

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| Member | | | | | | |

(b) Audit and Risk Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ID) | *Marlou B. Ubano* | *1 July 2015* | *2* | *2* | *100* | *2 years* |
| Member (NED) | *Ramon Guillermo R. Tuazon* | *1 July 2015* | *2* | *2* | *100* | *2 years* |
| Member (NED) | *Gerard Bnn R. Bautista* | *1 July 2015* | *2* | *2* | *100* | *3 years* |

Disclose the profile or qualifications of the Audit Committee members.

*The Company's Revised Manual on Corporate Governance mandates that the Audit Committee shall consist of at least three (3) directors, one of whom shall be an independent director.*

***Marlou Buenafe Ubano**, 43, Filipino. Atty. Ubano has been in practice of law for fifteen years. He is the Founding Partner of the Ubano Sianghio & Lozada Law Offices which was established in June 2002. He is currently a Governor of Integrated Bar of the Philippines – Western Visayas Region. He served as Assistant Secretary for Legal Affairs of the Philippine Department of Transportation and Communications from 2011 to 2013. He was the Commissioner of the Commission on Bar Discipline, Integrated Bar of the Philippines from 2005 to 2007. He also served as President of the Integrated Bar of the Philippines - Capiz Chapter from 2007 to 2009 and again in 2011, and as Deputy Governor of the Integrated Bar of the Philippines – Western Visayas Region from 2011 to 2013. Atty. Ubano was awarded the Presidential Plaque of Merit from the IBP National President in 2007, and a Plaque of Recognition as the Most Outstanding IBP Capiz President in 2009. Atty. Ubano is a Member of the Asean Law Association and the Intellectual Property Association of the Phils., Inc. He obtained his Bachelor's Degree in Law and Political Science in the University of the Philippines.*

***Gerard Bnn R. Bautista**, 52, Filipino, is currently the Chairman of the University of Baguio Foundation. He is a partner in BNN Bautista Associates, an Architecture & Planning firm established in 1969, and the President of Eduplan Philippines, Inc., a leading educational pre-need insurance company. He is a Charter Member of the Rotary Club of Makati, Greenbelt. He is also currently a member of various associations, namely, the Harvard Architectural and Urban Society, the Harvard Club of the Phils., the Harvard Alumni Alliance for the Environment, the Harvard Alumni Entrepreneurs, the Philippine Jaycees Senate, Rockwell Club, the Porsche Club of the Philippines, and the Rockwell Club, Baguio Country Club. He served as President of the Makati Jaycees. He obtained his Bachelor of Science in Architecture in the University of the Philippines. In 1987, he obtained post graduate studies in Information Technology for Architects in the Ateneo de Manila University. In 2002, he obtained post graduate studies in Financial Forecasting in the Center for Research and Communications in Mandaluyong. Likewise in 2002, he obtained post graduate studies in Finance for Senior Executives in the Asian Institute of Management in Makati City. He also obtained post graduate studies in Actual Planning and in School Planning and Design in Harvard University in Cambridge, Massachusetts.*

***Ramon Guillermo R. Tuazon**, 57 years old, Filipino. He is the president of the Asian Institute of Journalism and Communication (AIJC). He is also a trustee/board member of the AIJC and the Singapore-based Asian Media Information Centre (AMIC). Since 2007, Mr. Tuazon has been the chairman of the Commission on Higher Education Technical Committee for Communication (TCC) and member of the CHED Technical Panel for Social Sciences and Communication.*

*He has served UNESCO in various capacities: UNESCO Communication & Information Advisor (February 2014-present); UNESCO Specialist for Myanmar (November 2012- January 2014); representative of the UNESCO Regional Director to the UN Country Team in the Philippines (2010-2012). He has participated in several international and national research and consultancy projects in diverse areas such as communication media,* *formal and non-formal education, literacy, children's rights, judicial reform and rule of law, etc. These projects were supported by multilateral and bilateral agencies including the World Bank, ADB, European Union, and various UN agencies and executed by various government agencies. He has co-authored six books, co-edited 15 books/monographs, written over 10 handbooks/ modules, published numerous articles in international and national books, journals, and monographs. Among his latest publications are: Multidisciplinary Inquiry on the Culture of Impunity in the Killing of Journalists (2013), and Media and Information Literacy: Curriculum for Teachers (UNESCO Paris, 2011). He has contributed in several international publications including Media and Information Literacy and Intercultural Dialogue (NORDICOM, 2013) and Gender Sensitive Indicators for Media (UNESCO, 2012). He was a peer reviewer for the recent UNESCO publication, Global Media Information Literacy Assessment Framework: Country Readiness and Competencies (2013).*

*Mr. Tuazon completed his Master in Communication Management from the AIJC and Bachelor of Science in Commerce from UST where he also took graduate work in advertising.*

Describe the Audit Committee's responsibility relative to the external auditor.

*The Audit Committee performs oversight functions over external auditors and ensures that external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions.*

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | *Vicente Martin W. Araneta III* | *1 July 2015* | *1* | *1* | *100* | *2 years* |
| Member | *Jose S. Alejandro* | *1 July 2015* | *1* | *1* | *10* | *2 years* |
| Member (ID) | *Eliseo M. Rio, Jr.* | *1 July 2015* | *1* | *1* | *100* | *1 year* |

(d) Compensation Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | *Thomas G. Aquino* | *1 July 2013* | *0* | *N/A* | *0* | *4 years* |
| Member (NED) | *Marcelito R. Ordoñez* | *1 July 2013* | *0* | *N/A* | *0* | *3 year* |
| Member (ID) | *Eliseo M. Rio, jr.* | *1 July 2013* | *0* | *N/A* | *0* | *2 years* |

(e) Others (Management Committee):

Provide the same information on all other committees constituted by the Board of Directors:

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | *Mel V. Velarde* | *2 July 2015* | *5* | *5* | *100* | *4 Years* |
| Member (ED) | *Thomas G. Aquino* | *2 July 2015* | *5* | *5* | *100* | *4 Years* |
| Member (ED) | *Angeline L. Macasaet* | *2 July 2015* | *5* | *5* | *100* | *4 Years* |

3) Changes in Committee Members:

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

| Name of Committee | Name | Reason |
|---|---|---|
| Executive | *None* | |
| Audit | *None* | Election |
| Nomination | *Eliseo M. Rio, Jr. replaced Veronica T. Merk* | Election |
| Compensation | *Eliseo M. Rio, Jr. replaced Veronica T. Merk* | Election |

| Others (Management) | *None* | |
|---|---|---|

4) Work Done and Issues Addressed:

Describe the work done by each committee and the significant issues addressed during the year.

| Name of Committee | Work Done | Issues Addressed |
|---|---|---|
| Executive | *Not applicable* | |
| Audit | *Reviewed and evaluated the financial statements and the findings of the external auditors; Drafted and approved the Audit and Risk Committee Charter* | *No significant issues arose* |
| Nomination | *Reviewed and evaluated of the qualifications of nominees to the Board and nominees to positions requiring Board approval; Reviewed and approved the Nomination Committee Charter* | *No significant issues arose* |
| Compensation | *Reviewed and evaluated the compensation of the directors and Management; Reviewed and approved the Compensation Committee Charter* | *No significant issues arose* |
| Management | *Directed the day to day operations of the company; Reviewed and approved the Management Committee Charter* | *No significant issues arose* |
| Others (specify) | *Not applicable* | |

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| Name of Committee | Planned Programs | Issues to be Addressed |
|---|---|---|
| Executive | *Not applicable* | |
| Audit | *Set up the Internal Audit Department and appoint the Chief Internal Auditor* | *establish and identify the structure of the Internal Audit Department, with the Chief Internal Auditor reporting directly to the Committee functionally* |
| Nomination | *Review and evaluation of the qualifications of nominees to the Board and nominees to positions requiring Board approval* | *Qualifications or disqualifications, if any, of nominees to the Board and nominees to positions requiring Board approval* |
| Compensation | *Review and evaluation of directors' per diem and remuneration of senior management and other consultants of the Company.* | *To determine remuneration sufficient to attract and retain the services of qualified and competent directors and senior officers needed to run the Company successfully* |

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

*The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Company shall fund its operational and capital-intensive projects from internally generated funds.*

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

*The Board regularly meets to discuss and update themselves regarding the ongoing plans and programs of the Company and how these may affect the Company's liquidity and other relevant risks. The Company shall establish or provide for a system on internal audit of the Company to provide a more effective risk management system.*

(c) Period covered by the review;

*The review conducted by the Board regarding the effectiveness of the Company's risk management system covers projects and activities during the quarter previous to the Board meeting.*

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

*The Company's risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.*

(e) Where no review was conducted during the year an explanation why not.

*Not applicable.*

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| *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 these, the Company and its subsidiaries continuously come up with new and exciting products and improve product propositions.* | *To ensure competitiveness of the Company's products* |
| *Third party services* | *The Company's social media services are dependent on 3rd party services. Maintaining and sustaining a satisfactory relationship with these providers is critical to ensure technical support for the Company's social media services. To mitigate this risk, the Company is constantly in search for the right partners.* | *To minimize the Company's exposure to unreliable 3rd party service providers* |
| *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 reach more far-flung areas in the country. To mitigate this risk, the Company is constantly in search of telecommunication partners who will provide reliable internet connection.* | *To minimize the Company's exposure to unreliable 3rd party service providers* |

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

*The Group's risk management policy is essentially the same as those implemented by the Company.*

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|---|
| *Exercising control over the stockholders' voting power bears the risk of creating an imbalance between the controlling and the minority shareholders, for which reason, the holders of the Company's shares are all equally entitled to one vote per share with the objective of protecting minority interests. At the same time, the identity of the controlling shareholders and the degree of ownership concentration are disclosed in the Company's annual report.* |
| *As with any other corporation that has various shareholder groups with differing interests, the minority shareholders' interests may not be prioritized by the exercise by the controlling shareholders' of their voting power. To address this risk, policies are in place towards ensuring that the Board will, in all cases, consider the corporate interest as a whole, among them are: (i) emphasis on the fiduciary responsibilities of the Board and the officers to the Company and its shareholders and the duties of care and prudence; (ii) emphasis on the avoidance of conflicts of interest and on prompt disclosure of potential conflict; (iii) prompt, full and fair disclosure of material information; (iv) adoption of policies on related party transactions; and (v) other policies towards avoidance of actions that will favor the controlling or major shareholders' at the expense of the minority shareholders.* |

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| *Competition* | *Input from the sales and marketing teams are considered in assessing the competition.* | *To manage these, the Company and its subsidiaries continuously come up with new and exciting products and improve product propositions.* |
| *Third Party Services* | *Input from the technical team is considered in assessing the reliability of third party services.* | *To mitigate this risk, the Company is constantly in search for the right partners.* |
| *Internet* | *Input from the technical team is considered in assessing the reliability of internet connection.* | *To mitigate this risk, the Company is constantly in search for the right partners.* |

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

*The Group's risk control system is essentially the same as those implemented by the Company.*

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

| Committee/Unit | Control Mechanism | Details of its Functions |
|---|---|---|
| *Management Committee* | *Regular review of Company activities* | *Power to approve or amend the annual business plan to govern the operation, expenditures, activities, making of capital calls, sourcing of funds, and budget of the Company* |
| *Audit and Risk Committee* | *Regular review of risk policies and management* | *Common recurring activities of the Committee:*<br><br>A. ***Financial Reporting and Disclosures***<br>*1. The Committee shall review, with management and the external auditors and approve, prior to public dissemination, the Company's annual audited financial statements and any quarterly financial statements and reports*<br>*2. The Committee shall review and identify material errors and fraud, and* |

ensure establishment of measures for sufficient risk control.

3. The Committee shall review unusual or complex transactions including all related party transactions.

4. The Committee shall review and determine, with management and the external auditors and approve the impact of new accounting standards and interpretations.

5. The Committee shall communicate with legal counsel on litigation, claims, contingencies or other significant legal issues that impact the financial statements.

6. The Committee shall review and discuss with management and the external auditors the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.

7. The Committee shall review any significant disagreement between management and the independent auditors or the Internal Audit Department in connection with the preparation of the financial statements and management's response to such matters.

8. The Committee shall assess the correspondence between the Company and regulators regarding financial filings and disclosures.

*B. **Risk Management and Internal Controls***

1. The Committee shall obtain Management's assurance on the state of internal controls.

2. The Committee shall review internal auditors' evaluation of internal controls.

3. The Committee shall evaluate the internal control issues raised by external auditors and assess the control environment, including IT systems and functions.

4. The Committee shall set a framework for fraud prevention and detection, including the establishment of the whistle-blower program.

5. The Committee shall deliberate on findings of weakness in controls and reporting process.

6. The Committee shall evaluate the sufficiency and effectiveness of risk management processes and policies and meet with Management to discuss the Committee's observations and findings on the risk processes and policies of the Company.

7. The Committee shall prepare and implement a Business Continuity Plan.

8. The Committee shall also promote risk awareness in the Company.

***C. Management and Internal Audit***

1. The Committee shall evaluate Management's compliance with the Code of Conduct.

2. The Committee shall ensure unrestricted access of the internal auditors to all records, properties and personnel of the Company to enable them to perform their internal audit functions.

3. The Committee shall set up the Internal Audit Department and appoint the Chief Internal Auditor. It shall establish and identify the structure of the Internal Audit Department, with the Chief Internal Auditor reporting directly to the Committee functionally. The Committee shall also approve the Internal Audit Charter and subsequent amendments thereto for approval of the Board. The Committee shall also assess adequacy of resources and ensure the independence of the Internal Audit Department.

4. The Committee shall ensure compliance by the Internal Audit Department with International Standards on the Professional Practice of Internal Auditing.

5. The Committee shall also review and approve the internal audit annual plan, ensuring that it conforms to the objectives of the Company. It shall also approve the extent and scope of the internal audit work, ensuring that the audit resources are reasonably allocated to the areas of highest risk.

6. The Committee shall review the reports of the internal auditors and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner.

7. Should the Company become a subsidiary of a foreign corporation covered by the Code of Corporate Governance, the Committee shall ensure that the internal auditor is independent of the Philippine operations and shall report to the regional corporate headquarters.

***D. External Audit***

1. The Committee shall assess and ensure the independence and professional qualifications of the external auditors. It shall recommend the appointment of the external auditors and their remuneration to the Board. The Committee shall ensure that the external auditors are rotated or changed

| | | |
|---|---|---|
| | | *every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency.*<br>*2. The Committee shall discuss with the external auditor, prior to the commencement of the audit, the nature, scope and expenses of the audit. It shall also review the reports submitted by the external auditors, and ensure the external auditors' compliance with auditing standards.*<br>*3. The Committee shall evaluate and determine the non-audit work, if any, of the external auditors, and review periodically the non-audit fees paid to the external auditors in relation to their significance to the total annual income of the external auditors and to the Company's overall consultancy expenses. It shall disallow any non-audit work that will conflict with the duties of the external auditors or may pose a threat to their independence.*<br>*4. The Committee shall evaluate and understand agreements between the external auditor and Management.*<br>*5. The Committee shall also ensure that Management is taking appropriate corrective actions on the findings of the external auditors in a timely manner.*<br>*6. The Committee shall ensure Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions.*<br>*7. The Committee shall ensure that Management shall timely and completely communicate with external auditor the critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting.*<br>*8. The Committee shall ensure unrestricted access of the external auditors to all records, properties and personnel of the Company to enable them to perform their external audit functions.* |

## G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

*The internal control is a system established by the Board of Directors and Management for the accomplishment of the Company's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules. The Audit and Risk Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.*

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

*The Board utilizes its regular Board meetings to review and assess the effectiveness of the Company's internal control system.*

(c) Period covered by the review;

*The review conducted by the Board regarding the effectiveness of the Company's internal control system covers projects and activities during the quarter previous to the Board meeting.*

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

*The Board utilizes its regular Board meetings to review and assess the effectiveness of the Company's internal control system.*

(e) Where no review was conducted during the year, an explanation why not.

*Not applicable.*

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|---|---|---|
| *To provide independent, objective assurance and consulting services to Management designed to add value and improve the Company's operations.* | *On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.* | *In-house; Internal Audit may consult External Auditor as necessary or appropriate.* | *The audit function is performed by the heads of the different departments within their respective departments.* | *Internal audit reports are submitted to the Audit Committee directly.* |

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

*Not applicable.*

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

*The heads of the different departments have access to the Board and the Audit and Risk Committee, and to records, properties and personnel of their respective departments.*

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

*Not applicable. The Company has no internal audit staff.*

| Name of Audit Staff | Reason |
|---|---|
| *Not applicable* | |

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

| | |
|---|---|
| **Progress Against Plans** | *The Company comprehensively reviews and implements the established audit plan based on a scheduled timeline.* |
| **Issues**[6] | *There are no significant issues involving different interpretations because the Company implements and adheres to a fixed set of accounting policies and internal control mechanisms.* |

[6] "Issues" are compliance matters that arise from adopting different interpretations.

| Findings[7] | *There are no significant findings.* |
|---|---|
| Examination Trends | *The Company continues to conduct examination of possible issues on a regular basis but no pervasive issues or findings have been determined.* |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

| Policies & Procedures | Implementation |
|---|---|
| *The unit must effectively communicate the results of its work, thereby helping to drive changes that contribute to the achievement of organizational objectives* | *Implemented* |
| *Risk-based plans must be established to determine the priorities of the internal audit activity, consistent with the Company's goals* | *Implemented* |
| *Governance frameworks must be established to define the scope of work* | *Implemented* |

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|---|---|---|---|
| *The stockholders, during the Annual Stockholders' Meeting, approve the appointment of the Company's external auditors for the ensuing year.* | *The Company does not retain financial analysts, thus this question is not relevant to the Company.* | *The Company does not deal will Investment Banks, thus this question is not relevant to the Company.* | *Except with the Institute of Corporate Directors, the Company does not deal with rating agencies.* |

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

*The Company's Compliance Officer attests to the Company's full compliance with the SEC Code of Corporate Governance and confirms that all the members of the Board of Directors, officers and personnel of the Company have complied with all the leading practices and principles on good corporate governance as embodied in the Company's Revised Manual. The Compliance Officer further confirms that all the members of the Board of Directors, officers and personnel of the Company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.*

[7] "Findings" are those with concrete basis under the company's policies and rules.

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|---|---|---|
| Customers' welfare | *The Company's thrust is fair and transparent dealings with customers.* | *Representatives of the Company and the customer meet regularly to review any on-going projects to ensure customer satisfaction.* |
| Supplier/contractor selection practice | *The Company shall deal only with committed, reliable, reputable, competent and qualified suppliers and service providers. To provide a check and balance in the selection process, final approval rests with the Chief Financial Officer and the President.* | *After canvassing by the Company's personnel for a contractor or supplier which will best meet the budget or other requirements of the Company, the head of the department which will transact with the particular contractor or supplier, will recommend at least 2 suppliers or contractors for approval of the Chief Financial Officer and the President.* |
| Environmentally friendly value-chain | *The Company is committed to protecting and if possible, enhancing the environment.* | *As far as practicable, paperless inter-office communication is implemented and inter-office communication is conducted via electronic communication.* |
| Community interaction | *Good community interaction is an essential element for the successful operation of the Company especially for its social media services.* | *Comments from the community may be coursed through the Company's website, or by email to the address published in the website.* |
| Anti-corruption programmes and procedures? | *The Company directors, officers, and personnel are mandated to not make, offer, or authorize any payment, gift, promise, or 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 or political party official or candidate for office, where such payment, gift, promise or advantage would violate applicable laws of the Philippines.* | *The Company does not approve any request for payments, gifts or any other advantage to or for the use or benefit of any public official or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate applicable laws of the Philippines.* |
| Safeguarding creditors' rights | *The Company honors its financial commitments.* | *Loan agreements are signed and promissory notes are issued to creditors.* |

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

*At the moment, the Company does not have a separate corporate responsibility (CR) report/section or sustainability report/section due to limited staff and resources but intends to cover this subject in the future.*

3) Performance-enhancing mechanisms for employee participation.

*Not applicable, since the Company has less than three employees. Its manpower complement is composed of consultants.*

(a) What are the company's policy for its employees' safety, health, and welfare?

(b) Show data relating to health, safety and welfare of its employees.

(c) State the company's training and development programmes for its employees. Show the data.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

*Not applicable, since the Company has no employees. Its manpower complement is composed of consultants.*

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of 31 December 2015)

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|---|---|---|---|
| *Top Mega Enterprises Limited* | *377,035,951* | *24.84* | *N/A* |
| *PCD Nominee Corporation – Filipino* | *290,648,719* | *19.09* | *N/A* |
| *Gamboa Holdings, Inc.* | *247,188,482* | *16.29* | *N/A* |
| *Emerald Investments, Inc.* | *222,960,184* | *14.69* | *N/A* |
| *Velarde, Inc.* | *200,771,545* | *13.23* | |
| *Foodcamp Industries and Marketing, Inc.* | *91,755,741* | *6.04* | *N/A* |
| *Joyce Link Holdings, Limited* | *86,458,552* | *5.69* | *N/A* |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| *None* | | | |
| TOTAL | | | |

2) Does the Annual Report disclose the following:

| | |
|---|---|
| Key risks | *Yes* |
| Corporate objectives | *Yes* |
| Financial performance indicators | *Yes* |
| Non-financial performance indicators | *Yes* |
| Dividend policy | *Yes* |
| Details of whistle-blowing policy | *No* |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | *Yes* |
| Training and/or continuing education programme attended by each director/commissioner | *Not required to be reported in the Company's Annual Report* |
| Number of board of directors/commissioners meetings held during the year | *No* |
| Attendance details of each director/commissioner in respect of meetings held | *No* |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | *Yes* |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

*The number of directors meetings and attendance details of each director are separately disclosed annually through an advisement letter to the SEC and PSE.*

*The Company has an existing whistle-blowing policy.*

3) External Auditor's fee

| Name of auditor | Audit Fee | Non-audit Fee |
|---|---|---|
| *SyCip Gorres Velayo & Co.* | *Php220,000.00 (VAT inclusive)* | *None* |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

*1. E-mails*
*2. Letters*
*3. Print or Website Press Releases (www.now-corp.com)*
*4. SEC and PSE Disclosures*

5) Date of release of audited financial report for 2015: *19 April 2016 — 12 May 2016*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

| | |
|---|---|
| Business operations | *Yes* |
| Financial statements/reports (current and prior years) | *Yes* |
| Materials provided in briefings to analysts and media | *Yes* |
| Shareholding structure | *Yes* |
| Group corporate structure | *Yes* |
| Downloadable annual report | *Yes* |
| Notice of AGM and/or EGM | *Yes* |
| Company's constitution (company's by-laws, memorandum and articles of association) | *Yes* |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

| RPT | Relationship | Nature | Value<br>2015 Balance Sheet | 2015 Income Statement |
|---|---|---|---|---|
| *IMX Broadband, Inc.* | *Associate* | *Loans & receivables* | *26,096,645* | |
| | | *Interest income* | | *467,033* |
| *Gamboa Holdings, Inc.* | | *Payables* | *2,130,591* | |
| *Emerald Investments, Inc.* | *Stockholder* | *Loans & Receivables* | *40,848* | |
| | | *Payable* | *2,902,918* | |
| *NOW Telecom Company, Inc.* | *Associate* | *Receivable* | *23,720,567* | |
| | | *Payable* | *621,406* | |
| | | *Investment* | *1,289,278,350* | |
| *Velarde, Inc.* | *Stockholder* | *Loans & Receivables* | *960,000.00* | |
| | | *Payables* | *394,167,083* | *240,000* |
| *Softweb Consulting, Inc.* | *Associate* | *Loans &Receivables* | *15,738,250* | |
| | | *Trade Receivables* | *32,072,742* | |
| | | *Payables* | *1,704,310* | |
| *Holy Cow Animation, Inc.* | *Associate* | *Loans and Receivables* | *15,728,251* | |
| *ThumbMob Philippines, Inc.* | *Associate* | *Loans and Receivables* | *6,422,500* | |
| *Porteon SEA, Inc.* | *Associate* | *Investment* | *250,000* | |
| | | *Loans & Receivable* | *2,160,300* | |
| *KPSC* | *Associate* | *Loans & Receivable* | *202,548* | |

| | | | | |
|---|---|---|---|---|
| | | Payables | 26,207,689 | |
| AIJC | Associates | Loans & Receivable | 472,683 | |
| Paradiso Verde Inc | Associates | Payables | 8,913,971 | |
| News and Entertainment Network, Corp | Associates | Loans & Receivable | 5,119,596 | |
| GHT Network, Inc. | Associates | Receivables | 5,000,000 | |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

*The transactions are supported by signed agreements, corresponding promissory notes, or other documentary support.*

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

| | |
|---|---|
| **Quorum Required** | *Majority of the outstanding capital stock* |

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|---|---|
| **System Used** | Cumulative Voting |
| **Description** | ***For election of directors:***<br><br>*Stockholders entitled to vote at the Annual / Special Stockholders' meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder with voting privilege shall have the right to accumulate said shares. The instrument appointing the proxy shall be exhibited to the Secretary and the inspectors of election, and shall be lodged with the Secretary at the time of the meetings if he shall so request.*<br><br>***All other matters:***<br><br>*Voting during the Annual/Special Stockholders' Meeting is usually done viva voce or by the raising of hands, unless voting by ballot is specifically requested.*<br><br>*A majority vote is necessary to approve regular matters. The vote of stockholders representing at least 2/3 of the outstanding capital stock of the Company is needed for approval of special matters required by law.* |

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| Stockholders' Rights under The Corporation Code | Stockholders' Rights not in The Corporation Code |
|---|---|
| | *Under the Company's Revised Manual on Corporate Governance, the Board shall give minority stockholders the right to propose the holding of meetings and the items for* |

| | |
|---|---|
| | *discussion in the agenda that relate directly to the business of the Company.* |

Dividends

| Declaration Date | Record Date | Payment Date |
|---|---|---|
| *None* | | |

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| Measures Adopted | Communication Procedure |
|---|---|
| *Meetings are held in a comfortable venue easily accessible to shareholders to encourage more attendance.* | *Details of the date, time and venue are announced well ahead of the meeting. Any changes in the venue are timely disclosed to the SEC and PSE.* |
| *Chairman, Directors and Management are present at shareholders meetings.*<br>*The representatives of the external auditor also attend the shareholders' meeting.* | *An open forum is held after the annual report and audited financial report are presented.*<br>*Ample time is provided during every annual stockholders' meeting, allowing them to directly address their questions and comments to the Board or Management. The Chairman also gives shareholders the opportunity to object or interject before a motion is carried during the meeting.* |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

   a. Amendments to the company's constitution – *The approval of the shareholders is secured during annual stockholders' meeting. Prior to the putting to vote any amendment to the Company's constitution, the President of the Company explains the reason for the proposed amendment. Then the shareholders are encouraged to raise questions, give their comments or request clarifications on the proposed amendment.*

   b. Authorization of additional shares – *The approval of the shareholders is secured during annual stockholders' meeting.*

   c. Transfer of all or substantially all assets, which in effect results in the sale of the company. - *The approval of the shareholders is secured during the annual stockholders' meeting.*

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? - *In the Company's By-Laws, the notice for regular or special meetings of stockholders may be sent by the Secretary by personal delivery of by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record. However, copies of SEC Form 20-IS (Definitive), which include a copy of the Notice of the Stockholders' Meeting, are sent out to the stockholders at least 21 business days before the meeting. In addition, the date of the stockholders' meeting is disclosed to the PSE at least 10 business days before the Record Date.*

   a. Date of sending out notices: *At least 21 business days before the meeting*

   b. Date of the Annual Stockholders' Meeting: *Every first Thursday of June.*

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   *a) During the Special Stockholders' Meeting, various stockholders present engaged in a discussion with* *the Company's officers and members present in the matter of the increase in authorized capital stock that will be implemented by the Company. All stockholders present understood the necessity of raising capital for the Company and that the increase in authorized capital will provide the Company with funding to further strengthen its business.*

5. Result of Annual/Special Stockholders' Meeting's Resolutions

A. Annual Stockholders' Meeting (22 January 2015)

| Resolution | Approving | Dissenting | Abstaining |
|---|---|---|---|
| *Approval of the Increase of Authorized Capital Stock from Php1.32B to Php2.120B or an increase by Php800M* | *1,032,614,499* | *0* | *0* |
| *Approval of the Conversion of Advances Made by a Shareholder, Velarde, Inc., in the Amount of Php200M* | *1,032,614,499* | *0* | *0* |
| *Approval of the Application for Listing with the PSE of the Additional 200M Shares from the Increase in Authorized Capital* | *1,032,614,499* | *0* | *0* |
| *Waiver by a Majority Vote Representing the Outstanding Shares Held by Minority Shareholders Present of the Conduct of a Rights or Public Offering of the Shares to be Subscribed by Velarde, Inc.* | *1,032,614,499* | *0* | *0* |

B. Annual Stockholders' Meeting (4 JUNE 2015)

| Resolution | Approving | Dissenting | Abstaining |
|---|---|---|---|
| *Approval of the Minutes of the Special Stockholders' Meeting held on 22 January 2015* | *1,028,926,119* | *0* | *0* |
| *Approval of the 2014 Report, the 2014 Audited Financial Statements, and the Business Plan for 2015* | *1,028,926,119* | *0* | *0* |
| *Election of Directors* | *1,028,926,119* | *0* | *0* |
| *Ratification of the Acts and Resolutions of the Board of Directors and Officers since the last Special Stockholders' Meeting* | *1,028,926,119* | *0* | *0* |
| *Appointment of Independent External Auditor* | *1,028,926,119* | *0* | *0* |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

*The result of the votes were immediately disclosed to the PSE on the day of the meeting and filed with the SEC within 3 days from the date of the meeting.*

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

| Modifications | Reason for Modification |
|---|---|
| *None* | |

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|---|---|---|---|---|---|---|
| Annual | *Thomas G. Aquino*<br>*Mel V. Velarde*<br>*Jose S. Alejandro*<br>*Vicente Martin W. Araneta III*<br>*Gerard Brn R. Bautista*<br>*Eliseo M. Rio, Jr.*<br>*Ramon Guillermo R. Tuazon*<br>*Angeline L. Macasaet* | *4 June 2015* | *By show of hands* | *0.06* | *78.05* | *78.11* |
| Special | *Thomas G. Aquino*<br>*Mel V. Velarde*<br>*Jose S. Alejandro*<br>*Vicente Martin W. Araneta III*<br>*Ramon Guillermo R. Tuazon*<br>*Angeline L. Macasaet* | *22 January 2015* | *By show of hands* | *0.28* | *78.11* | *78.39* |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

*Yes.*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

*Yes, the Company's common shares carry one vote for one share. The Company has only one class of shares.*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

| | Company's Policies |
|---|---|
| Execution and acceptance of proxies | *The Company encourages shareholders to submit proxies.* |
| Notary | *Notarization of the proxy is not required.* |
| Submission of Proxy | *Submission of the proxy may be done by personal delivery, by mail, by electronic mail or by facsimile.* |
| Several Proxies | *There has been no instance where a shareholder executed several proxies. Should this situation arise, the latest dated proxy would be recognized.* |
| Validity of Proxy | *As stated in the Company's By-Laws, unless otherwise stated in the proxy, it is valid only for the meeting for which it was presented to the Secretary (valid for one meeting only).* |
| Proxies executed abroad | *Proxy executed abroad is acceptable and may be sent by* |

| | |
|---|---|
| | *electronic mail or by facsimile.* |
| Invalidated Proxy | *Proxy not submitted during the announced date and time of proxy validation is not accepted during the meeting.* |
| Validation of Proxy | *Date, time and venue of proxy validation is announced and contained in the notice of meeting.* |
| Violation of Proxy | *If there is material violation of the Proxy, the Company will not accept the proxy.* |

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies | Procedure |
|---|---|
| *The Notice must be sent to stockholders at least 21 business days before the scheduled meeting.* | *The notices are sent by personal delivery or by mail along with a copy of the Company's SEC Form 20-IS (Definitive Information Statement).* |

(i) Definitive Information Statements and Management Report

| | |
|---|---|
| **Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials** | *74* |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners** | *May 13, 2015* |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders** | *May13, 2015* |
| **State whether CD format or hard copies were distributed** | *Hard copies were distributed.* |
| **If yes, indicate whether requesting stockholders were provided hard copies** | *Hard copies were also available during the Annual Stockholders Meeting. Requesting stockholders were provided hard copies.* |

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | *Yes* |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | *Yes* |
| The auditors to be appointed or re-appointed. | *Yes* |
| An explanation of the dividend policy, if any dividend is to be declared. | *N/A* |
| The amount payable for final dividends. | *N/A* |
| Documents required for proxy vote. | *Yes* |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

| Policies | Implementation |
|---|---|
| *The Company respects the right of minority shareholders to vote on all matters that require their consent or approval.* | *Stockholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors. A director shall not be removed without cause if it will deny minority stockholders representation in the Board.* |
| *The Company respects the right of minority shareholders to inspect corporate books and records.* | *All stockholders are allowed, upon prior written notice and during regular business hours, to inspect corporate books and records including the minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.* |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

*Yes, as discussed above.*

C. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

*The Marketing Department, headed by a Marketing Manager directly reporting to the President and CEO: This department is in charge of press releases, print media, and media briefings. All press releases are reviewed by the President. Press releases are distributed to the personnel internally via email, to the media and other stakeholders through emails, website releases and/or press releases.*

*Office of the Compliance Officer: The Compliance Officer is also the Corporate Information Officer and Corporate Secretary. The Compliance Officer is in charge of corporate disclosures and shareholder matters. Disclosures and announcements are reviewed and approved by the Chairman and the President.*

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

| | Details |
|---|---|
| (1) Objectives | *a. To foster and maintain a good relationship with shareholders.*<br>*b. To ensure that shareholders receive relevant, material information on a timely basis*<br>*c. To ensure investors have a point of contact to provide business information and listen to their feedback about the Company.* |
| (2) Principles | *Transparency and fairness in all dealings with investors* |
| (3) Modes of Communications | *Emails, letters, print and website releases, timely disclosures to the PSE and SEC* |
| (4) Investor Relations Officer | *Kristian Noel A. Pura (Acting Investor Relations Officer)*<br>*Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St.*<br>*Legaspi Village, Makati City 1229*<br>*Email: kristian.pura@now-corp.com*<br>*Tel No. 750-0211; Fax No. 750-0461* |

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

*The department in-charge of business development, working with the President, Treasurer and other officers, and external financial and technical consultants, prepare a detailed recommendation for consideration by the Board. An independent party is named for a specific transaction.*

## L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

| Initiative | Beneficiary |
|---|---|
| *Provide free live road traffic video streaming via mobile and tablet devices in cooperation with MMDA* | *General public (motorists and commuters in Metro Manila)* |

## M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

| | Process | Criteria |
|---|---|---|
| Board of Directors | *Self-assessment and rating* | *Revised Manual on Corporate Governance* |
| Board Committees | *Self-assessment and rating* | *Revised Manual on Corporate Governance* |
| Individual Directors | *Self-assessment and rating* | *Revised Manual on Corporate Governance* |
| CEO/President | *Self-assessment and rating* | *Revised Manual on Corporate Governance and By Laws* |

## N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

*At the level of directors and senior officers, the Board will evaluate possible violation and if after a fair consideration of the facts it is established that there was in fact a violation, the Board will determine sanctions on a case to case basis.*

| Violations | Sanctions |
|---|---|
| *Please see answer above.* | |

Pursuant to the requirement of the Securities and Exchange Commission, this Consolidated Annual Corporate Governance Report for 2015 is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati this ___ day of April 2016.

**SIGNATURES**

| | |
|---|---|
| Dr. Thomas G. Aquino<br>Chairman of the Board | Mr. Mel V. Velarde<br>President/Chief Executive Officer |
| Gen. Eliseo M. Rio, Jr. (Ret.)<br>Independent Director | Atty. Marquos. Ubano<br>Independent Director |

Angeline L. Macasaet
Compliance Officer

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

ANNEX "D"

## SECRETARY'S CERTIFICATE

I, **ANGELINE L. MACASAET**, of legal age, Filipino, and with office address at Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City, hereby state and certify under oath, that:

1. I am the duly elected and incumbent Corporate Secretary of NOW Corporation, a corporation duly organized and existing under and by virtue of the laws of the Philippines with office address Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City (the "Company");

2. I hereby certify that at the 28 March 2016 Regular Meeting of the Board of Directors of the said Company, a quorum being present and acted throughout, the following resolution was unanimously adopted:

> "**RESOLVED**, as it is hereby resolved, That the Company's Chairman of the Board, the President and the Chairman of the Audit Committee be authorized to approve the 2015 Audited Financial Statements of the Company as prepared by its external auditor SycCip Gorres & Velayo Co.
>
> **RESOLVED FINALLY**, as it is hereby finally resolved, that the Chairman and the Vice Chairman of the Board, be authorized to sign, the Statement of Management Responsibility in connection with the Company's filing of Audited Financial Statements for the period ending 31 December 2015."

3. This Certificate is being issued to attest to the truth of the foregoing and for whatever legal purpose it may serve.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 28th day of April 2016 in the City of Makati, Philippines.

ANGELINE L. MACASAET
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 28th day of April 2016, affiant personally appeared and exhibited to me her Philippine Passport No. EB7716688 issued by DFA-Manila valid until 21 March 2018.

Doc. No. 154;
Page No. 32;
Book No. XXXIII
Series of 2016.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
IBP No. 056455-Lifetime Member
MCLE Compliance No. V-0006314
Appointment No. M-34-(2015-2016)
PTR No. 5320504 Jan. 4, 2016
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City