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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

Company Telephone Number

0 4

Month

2 8

Day

SEC Form 17-Q
1st Quarter
Ending 31 March 2016

Form Type

| |

Month

| |

Day

Annual Meeting

2016

Fiscal Year

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Secondary License Type, If
Applicable

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Number/Section

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Amended Articles

| | | | |

Total No. of Stockholders

Total amount of Borrowings

| | | | |

Domestic

| | | | |

Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2016

2. Commission identification number A1996-00179 3. BIR Tax Identification No. 004-668-224

4. Exact name of issuer as specified in its charter

NOW CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

MAKATI CITY, PHILIPPINES

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

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

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

N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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<u>COMMON STOCK</u>	<u>1,517,278,350</u>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

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

PHILIPPINE STOCK EXCHANGE

COMMON STOCK

12. Indicate by check mark whether the registrant:

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

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

Part I. Financial Information

Item1. Financial Statement

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

	YTD 2016 (Unaudited)	YTD 2015 (Audited)
ASSETS		
Current Assets		
Cash	1,985,552	15,979,672
Trade and Other receivables	85,009,732	81,788,408
Amount owed to related parties	76,212,667	74,950,275
Other current assets	10,551,942	4,178,091
Total Current Assets	173,759,892	176,896,446
Noncurrent Assets		
Investments in shares of stocks	1,302,070,830	1,317,871,168
Due from related parties – net of current	15,567,752	
Property and equipment - net	3,444,656	3,250,507
Other noncurrent assets - net of accumulated amortization of Computer software amounting to P996,466 and P869,562 As of December 31, 2015 and 2014, respectively	286,306	333,964
Total Noncurrent Assets	1,321,369,544	1,321,455,639
TOTAL ASSETS	1,495,129,436	1,498,352,085
LIABILITIES AND EQUITY		
Current Liabilities		
Loans Payable	44,500,000	44,500,000
Accounts payable and accrued expenses	116,133,166	132,927,061
Due to related parties	24,909,485	14,620,345
Total Current Liabilities	185,542,651	192,047,406
Noncurrent Liabilities		
Due to to related parties – net of current portion	230,196,115	223,458,035
Total Noncurrent Liabilities	230,196,115	223,458,035
Total Liabilities	415,738,766	415,505,441
Equity Attributable to Equity Holders of the Parent		
Common	1,517,278,350	1,517,278,350
Retained Earnings	(430,466,164)	(435,687,362)
Revaluation	1,164,222	1,164,222
Net Income	(3,454,702)	5,236,704
Comprehensive income (loss)	–	(14,234)
Non-controlling Interest	(5,131,036)	(5,131,036)
Total Equity	1,079,390,670	1,082,846,644
TOTAL LIABILITIES AND EQUITY	1,495,129,436	1,498,352,085

See accompanying Notes to Consolidated Financial Statements

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

	YTD 2016 (Unaudited)	YTD 2015 (Audited)
REVENUES		
Management Fee	60,000	240,000
Service Revenue	7,131,945	67,108,027
Sales	3,165,252	47,331,371
Interest	948,760	711,418
Miscellaneous Receipt	--	3,065
	11,305,957	115,393,881
COST AND EXPENSES		
Cost of services	8,350,584	40,054,599
Cost of sales	1,316,534	35,545,753
Salaries and other benefits	115,652	756,000
Outside Services	1,936,617	6,602,192
Interest and other charges	—	—
Rental	392,499	1,681,446
Taxes and licenses	443,620	2,473,879
Professional fees	243,400	632,437
Light and water	227,579	804,573
Transportation and travel	57,316	1,586,867
Advertising and promotion	35,401	315,366
Depreciation and amortization	43,580	3,567,678
Dues and subscription	1,400	264,846
Repairs and maintenance	49,763	353,177
Communication	517,250	3,563,207
Representation	526,414	2,430,290
Office supplies	106,757	1,020,425
Training and development	9000	
Director's fees	50,000	203,500
Others	37,673	297,643
Insurance	45,630	271,898
Interest	159,064	1,053,844
Security Services	88,336	193,807
Provision on impairment loss on receivables	—	4,192,599
Foreign exchange losses(gains)	—	81,970
Miscellaneous	7,863	701,561
	14,761,932	108,649,55
INCOME (LOSS) BEFORE INCOME TAX	(3,455,975)	6,744,323
PROVISION FOR INCOME TAX		
Current	--	1,508,890
Deferred	-	1,508,890
NET INCOME (LOSS)	(3,455,975)	5,235,433

Currency Translation Adjustment – Gain (Loss)	--	(14,234)
TOTAL COMPREHENSIVE INCOME	(3,455,975)	5,221,200
Non-controlling interests	-	-
	(3,455,975)	5,221,200
Basic /Diluted Earnings (Loss) Per Share	(0.0023)	0.0040

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

	YTD 2016 (Unaudited)	YTD 2015 (Audited)
NET LOSS ATTRIBUTABLE TO:		
Equity holders of the Parent	(3,455,975)	5,235,433
Non-controlling interests		
	(3,455,975)	5,235,433
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	(14,234)
TOTAL COMPREHENSIVE LOSS	(3,455,975)	5,221,199
ATTRIBUTABLE TO:		
Equity holders of the parent	(3,455,975)	5,222,470
Non-controlling interest		(1,271)
	(3,455,975)	5,221,199

See accompanying Notes to Financial Statements

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

	YTD 2016 (Unaudited)	YTD 2015 (Audited)
CAPITAL STOCK		
Authorized - 1,360,000,000 shares in 2006 and 40,000,000 shares in 2005		
Issued - 1,217,278,350 shares in 2006 and 28,000,000 shares in 2005		
Balance at the beginning of the year	1,517,278,350	1,317,278,350
Issuance		200,000,000
Balance at end of the year	1,517,278,350	1,517,278,350
RETAINED EARNINGS		
Balance at beginning of the year	-430,450,658	(435,687,362)
Net Income (loss)	-3,455,975	5,236,704
Deficit	(433,906,633)	(430,450,658)
Cumulative Translation Adjustment	1,149,988	1,149,988
	(432,756,645)	(429,300,670)
Non-controlling equity	(5,131,036)	(5,131,036)
Balance at end of year	(437,887,681)	(434,431,706)
Total Equity	1,079,390,670	1,082,846,644

See accompanying Notes to Consolidated Financial Statements

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

	YTD 2016 (Unaudited)	YTD 2015 (Audited)
Income (Loss) before income tax	(3,455,975)	6,744,323
Adjustments for:		
Interest and Other charges(Note 9 & 11)	—	1,053,844
Depreciation and amortization (Note 7 & 14)	—	3,567,678
Provision on Impairment loss on receivables (Note 4 and 14)	—	4,033,832
Unrealized foreign exchange loss	—	0
Loss on disposal of property and equipment	—	0
Interest income	—	711,418
Provision on Impairment loss on other assets	—	158,767
Equity in net losses of associates (Note 8)	—	-
Operating income (loss) before working capital changes	(3,455,975)	16,269,862
Decrease (increase) in:		
Trade and other receivables	(3,221,324)	(34,019,377)
Other current assets	(6,373,851)	(105,971)
Increase (decrease)		
Accounts payable and accrued expenses	(16,793,895)	11,744,986
Net cash generated from (used in) operations	(29,845,044)	(6,110,500)
Interest received		(244,385)
Income taxes paid		(1,508,890)
Interest paid		(965,588)
Net cash flows from (used in) operating activities	(29,845,044)	(8,829,363)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Due to related parties	(1,262,392)	(3,494,780)
Other noncurrent assets	47,658	(193,403)
Acquisition of property and equipment (Note 7)	(194,149)	(239,078)
Investments		-
Net cash flows from (used in) investing activities	(1,408,883)	(3,927,261)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	17,259,807	26,727,168

Payment of finance lease	-	
Net cash flows from financing activities	17,259,807	26,727,168
EFFECT OF EXCHANGE RATE CHANGES ON CASH		2,371
NET INCREASE (DECREASE) IN CASH	(13,994,120)	13,972,915
CASH AT BEGINNING OF THE YEAR	15,979,672	2,006,757
CASH AT END OF THE YEAR	1,985,552	15,979,672

See accompanying Notes to Consolidated Financial Statements

**AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	YTD January to March	
	2016	2015
ASSETS		
Current Assets		
Cash	1,985,552	3,996,434
Trade and Other receivables	85,009,732	49,394,914
Amount owed to related parties	76,212,667	79,081,439
Other current assets	10,551,942	4,686,601
Total Current Assets	173,759,892	137,159,388
Noncurrent Assets		
Investments in shares of stocks	1,302,070,830	1,294,278,350
Due from related parties – net of current	15,567,752	
Property and equipment - net	3,444,656	5,656,721
Other noncurrent assets - net of accumulated amortization of Computer software amounting to P996,466 and P869,562 As of December 31, 2015 and 2014, respectively	286,306	23,965,339
Total Noncurrent Assets	1,321,369,544	1,323,900,410
TOTAL ASSETS	1,495,129,436	1,461,059,798
LIABILITIES AND EQUITY		
Current Liabilities		
Loans Payable	44,500,000	-
Current portion of obligations under finance lease		220,685
Accounts payable and accrued expenses	116,133,166	122,767,731
Due to related parties	24,909,485	24,093,400
Total Current Liabilities	185,542,651	147,081,816
Noncurrent Liabilities		
Loans Payable		44,500,000
Due to to related parties – net of current portion	230,196,115	394,056,166
Total Noncurrent Liabilities	230,196,115	438,556,166
Total Liabilities	415,738,766	585,637,982
Equity Attributable to Equity Holders of the Parent		
Common	1,517,278,350	1,317,278,350
Retained Earnings	(430,466,164)	(435,687,362)
Revaluation	1,164,222	1,164,222
Net Income	(3,454,702)	(2,203,629)
Comprehensive income (loss)	-	-
Non-controlling Interest	(5,131,036)	(5,129,765)
Total Equity	1,079,390,670	875,421,816
TOTAL LIABILITIES AND EQUITY	1,495,129,436	1,461,059,798

See accompanying Notes to Consolidated Financial Statements

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

	YTD January to March	
	2016	2015
REVENUES		
Management Fee	60,000	60,000
Service Revenue	7,131,945	12,025,319
Sales	3,165,252	1,616,796
Interest	948,760	301
Miscellaneous Receipt	--	--
	11,305,957	13,702,416
COST AND EXPENSES		
Cost of services	8,350,584	10,762,714
Cost of sales	1,316,534	
Salaries and other benefits	115,652	235,234
Outside Services	1,936,617	785,230
Interest and other charges	-	255,178
Rental	392,499	444,067
Taxes and licenses	443,620	302,128
Professional fees	243,400	94,329
Light and water	227,579	202,868
Transportation and travel	57,316	217,557
Advertising and promotion	35,401	32,204
Depreciation and amortization	43,580	840,974
Dues and subscription	1,400	255,718
Repairs and maintenance	49,763	40,081
Communication	517,250	546,412
Representation	526,414	488,365
Office supplies	106,757	58,566
Training and development	9,000	
Director's fees	50,000	35,000
Others	37,673	
Insurance	45,630	166,557
Interest	159,064	
Security Services	88,336	40,179
Provision on impairment loss on receivables	-	--
Foreign exchange losses(gains)	-	
Miscellaneous	7,863	102,684
	14,761,932	15,906,045
INCOME (LOSS) BEFORE INCOME TAX	(3,455,975)	(2,203,629)
PROVISION FOR INCOME TAX		
Current		--
Deferred		-
NET INCOME (LOSS)	(3,455,975)	(2,203,629)

Currency Translation Adjustment – Gain (Loss)	--	
TOTAL COMPREHENSIVE INCOME	(3,455,975)	(2,203,629)
Non-controlling interests	-	-
	(3,455,975)	(2,203,629)
Basic /Diluted Earnings (Loss) Per Share	(0.0023)	0.0017

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

	YTD January to March	
	2016	2015
NET LOSS ATTRIBUTABLE TO:		
Equity holders of the Parent	(3,455,975)	(2,203,629)
Non-controlling interests		
	(3,455,975)	(2,203,629)
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	-
TOTAL COMPREHENSIVE LOSS	(3,455,975)	(2,203,629)
ATTRIBUTABLE TO:		
Equity holders of the parent	(3,455,975)	(2,203,629)
Non-controlling interest		
	(3,455,975)	(2,203,629)

See accompanying Notes to Financial Statements

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

	YTD January to March	
	2016	2015
CAPITAL STOCK		
Authorized - 1,360,000,000 shares in 2006 and 40,000,000 shares in 2005		
Issued - 1,217,278,350 shares in 2006 and 28,000,000 shares in 2005		
Balance at the beginning of the year	1,517,278,350	1,317,278,350
Issuance		
Balance at end of the year	1,517,278,350	1,317,278,350
RETAINED EARNINGS		
Balance at beginning of the year	-430,450,658	(435,687,362)
Net Income (loss)	-3,455,975	(2,203,629)
Deficit	(433,906,633)	(437,890,991)
Cumulative Translation Adjustment	1,149,988	1,164,222
	(432,756,645)	(436,726,769)
Non-controlling equity	(5,131,036)	(5,129,765)
Balance at end of year	(437,887,681)	(441,856,534)
Total Equity	1,079,390,670	875,421,816

See accompanying Notes to Consolidated Financial Statements

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

	YTD January to March	
	2016	2015
Income (Loss) before income tax	(3,455,975)	(2,203,629)
Adjustments for:		
Interest and Other charges(Note 9 & 11)	159,064	255,178
Depreciation and amortization (Note 7 & 14)	43,850	840,974
Provision on Impairment loss on receivables (Note 4 and 14)	-	-
Unrealized foreign exchange loss	-	0
Loss on disposal of property and equipment	-	0
Interest income	948,760	(301)
Provision on Impairment loss on other assets		
Equity in net losses of associates (Note 8)		-
Operating income (loss) before working capital changes	(2,304,571)	(1,107,777)
Decrease (increase) in:		
Trade and other receivables	(3,221,324)	2,407,949
Other current assets	(6,373,851)	(615,724)
Increase (decrease)		
Accounts payable and accrued expenses	(16,793,895)	(580,108)
Net cash generated from (used in) operations	(28,693,640)	104,339
Interest received	948,760	301
Income taxes paid		
Interest paid	159,064	(255,178)
Net cash flows from (used in) operating activities	(27,585,816)	(150,538)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Due to related parties	(1,262,392)	(7,928,941)
Other noncurrent assets	47,658	48,543
Acquisition of property and equipment (Note 7)	(194,149)	795,482
Investments		-
Net cash flows from (used in) investing activities	(1,408,883)	(7,084,916)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	15,000,579	9,679,879

Payment of finance lease	-	(454,748)
Net cash flows from financing activities	15,000,579	9,225,131
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
NET INCREASE (DECREASE) IN CASH	(13,994,120)	1,989,677
CASH AT BEGINNING OF THE YEAR	15,979,672	2,006,757
CASH AT END OF THE YEAR	1,985,552	3,996,343

See accompanying Notes to Consolidated Financial Statements

**NOW CORPORATION
AND SUBSIDIARIES
AGING OF RECEIVABLES**

	31-Mar-16	31-Mar-15
Current	4,548,611	2,046,982
1 -30 days past due	2,158,667	3,642,888
31 -60 days past due	534,465	2,218,683
61 -90 days past due	29,955	694,796
over 91 days past due	64,127,124	37,570,094
Total	71,398,822	46,173,443

**NOW CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Corporate Information

Corporate Background

NOW Corporation (formerly Information Capital Technology Ventures, Inc.; the Company) was a wholly-owned subsidiary of Amalgated Investment Bancorporation (AIB), a full-fledged and duly licensed investment house when it was originally incorporated on June 5, 1996 in the Philippines as MF Shroder & Co., Inc., initially to engage in the purchase and sale of securities. In 2000, AIB expanded the services of the Company by establishing an information technology (IT-enabled) facility geared towards servicing the private equity needs of Small and Medium Enterprises (SME) by matching them on-line with direct equity investors.

Amendments to Articles of Incorporation

The Company's primary purpose was changed to engage in the business of securities brokerage relating to the sale, transfer or exchange of every description of share of stock and bonds, be it publicly listed or privately held, and to execute such transactions with the use of information technology.

In July 2008, the SEC approved the amendment of the articles of incorporation which provides for the change in the primary purpose from a securities broker to a technology, media and telecommunications (TMT) company. This will enable the Company to start operations relating to various TMT 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. With the amendment in the articles of incorporation, among the programs that management plans to undertake are providing telecommunications VAS through Integrated Digital Enhanced Network (iDEN), Code-Division Multiple Access (CDMA), Global System for Mobile Communication (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.

On August 3, 2010, the SEC approved the Amendment of the Seventh Article of the Articles of Incorporation of the Company removing the pre-emptive rights of shareholders with respect to subscriptions to any class of shares of stock of the Company whether to the current authorized capital stock or any future increases thereof.

The amendment of the Company's Secondary Purposes to include the following was approved by the BOD on December 16, 2010 and 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.

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

Change in Corporate Name

In January 2002, the Philippine Securities and Exchange Commission (SEC) approved the amendment

of the articles of incorporation which provides for the change in name, from MF Shroder & CO. to Cashrounds, Inc. and the change in the primary purpose.

The Board of Directors (BOD) and the Company's stockholders approved the change in name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc. on May 12, 2006 and June 2, 2006, respectively. SEC approved the said change in name in September 19, 2006.

The BOD and the Company's stockholders approved the change in name from Information Capital Technology Ventures, Inc. to NOW Corporation on July 2, 2013 and June 6, 2013, respectively. SEC approved the said change in name on August 16, 2013.

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 or two-thirds (2/3) of the shares of stock of the Company at an aggregate purchase price of ₱74,395,000.

The sale of the Company's shares to GHI was made on June 3, 2005 and August 20, 2005, which resulted in GHI owning 66.67% of the Company.

Through the efforts of IMX Broadband Inc. (IBI), a Certificate of Registration as a value added service provider and voice over internet protocol (VOIP) provider was issued on March 10, 2006 by the National Telecommunications Commission (NTC) to the Company. The registration allowed the Company to operate and maintain VOIP services in all cities and municipalities nationwide.

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.

With recent developments in the IT industry, the Company wants to focus on providing high-value Information and Communications Technologies (ICT) Services. This includes providing highly skilled ICT professionals which includes software developers, programmers and engineers, project management professional

s and animators mostly to the international markets. It also plans to deliver high-value ICT open-source or proprietary applications to specific market niches where revenues will be generated through customization, integration, training and the like. The Company also plans to partner with ICT-enabled businesses where convergence in traditional industries takes place such as in transport, animation, social networking and even healthcare.

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

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

Authorization for Issuance

During the March 28, 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 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 on a 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 Group's functional currency. Amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the following subsidiaries:

	Nature of Business	Percentage of Ownership		
		2015	2014	2013
J-SPAN IT Services, Inc.(JSIT)	Service	100%	100%	100%
Porteon SEA, Inc. (Porteon) ¹ *	Manufacturing	100%	100%	100%
I-Resource ¹	Service	100%	100%	100%
I-Professional*	Service	100%	100%	100%
Softrigger	Service	67%	67%	67%

¹ JSIT, Porteon and I-Resource were incorporated in 2011.

* Not yet started commercial operations in 2014.

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2015 and 2014. 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 and 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 result 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair market value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with Non-controlling Interest

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 consolidated statement of income and within equity in the consolidated financial position, separately, from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity holders transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

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 Philippines 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 fit. 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 allocation 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 relation to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition and 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 identity, 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 in 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, Financial 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 judgment made by management in applying the aggregation criteria in the standard, including a brief description of operation segments that have been aggregated and the economic characteristics (i.e. sales & gross margins) used to assess whether the segments are similar
 - The reconciliations 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 Company's property, plant and equipment and intangible assets are not carried at revalued amounts
- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments are applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is 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 scope of PAS 39
- PAS 40, *Investment Property*
The description of ancillary services in PAS 40 differentiates between the investment 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 the investment property and owner-occupied property (i.e. property, plant and equipment).

Current versus Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or

- Cash and cash equivalents 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 reclassifies 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 investments. 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 "Amounts owed by 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 rate 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 under "Interest income" account in the statement of income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of comprehensive 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 consolidated statement of financial position.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the statement of comprehensive 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 consolidated statement of comprehensive 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 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). Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the reporting date or the Group has an unconditional right to defer settlement for at least 12 months from reporting date.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

Carried at Amortized Cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the 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 use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

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 groups 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 consolidated 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 because its 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.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the

Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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 an 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 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 interest 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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income.

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 as changes in accounting estimates. The amortization expense is recognized in "Depreciation and amortization" account in the consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

Property and Equipment and Other Nonfinancial Assets

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

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

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 consolidated statement of comprehensive income.

Common Stock

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

Deficit

The amount included in deficit includes profits and losses attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Dividends for the year that are approved after the reporting date are dealt with as a 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 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 arrangement 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 Fee

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 distribution 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 serviced 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 consists 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, carryforward 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 at 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 an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating Leases

Operating leases represents 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 a Lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 recognized 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.

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 the consolidated statement of comprehensive income, net of any reimbursement.

Contingencies

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

Earnings Per Share (EPS)

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

Segment Reporting

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

The Group's identified operating segments are consistent with the segments reported in 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 Company'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 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 Philippines 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 Group as it is not under the real estate industry.

Effective in 2016

PFRS 10, Consolidated Financial Statements and PAS 28, Investment 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 a subsidiary of an investment entity that measures all 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 allows an investor (that is not an investment entity and has an investment entity associate or joint venture), when supplying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest 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 (Amendments), 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 statement, 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 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 joint operation in which the activity of the 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 interests 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 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 judgement 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 disclosed that the 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 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 in 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, 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 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.

PAS16, 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, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from disposal through sale to disposal through distribution to owners and vice versa should not be considered to be a new plan of disposal, rather it is 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 clarification.
- PFRS 7, Financial Instruments: Disclosures – Servicing Contracts
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that 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 on Condensed Interim Financial Statements
These amendments 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
These amendment is applied retrospectively 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 the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and whenever 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 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 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 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 recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provided 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 lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with term of 12 months or less or for which the underlying asset is 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 estimations, 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 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 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 is Softrigger is not material to Group.

Determining Significant Influence over an Associate

The Group considers its investment in Softweb as investment in an associate. The Group concluded that it has significant influence over the operating and financial policies of 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.

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, he 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 balances cannot be collected or realized after exhausting all efforts and courses of action. The Group recognized provision on impairment loss on receivables amounting to P4,033,832, P6,619,366 and P888,958 in 2015, 2014 and 2013, respectively (See Notes 4 and 14).

Trade and other receivables and due from related parties amounted to P156,738,683 and P123,725,391

as of December 31, 2015 and 2014, respectively (see Notes 4 and 9).

Estimating Impairment of Investment and Advances

Valuation of unquoted equity investment is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other 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. 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 investment and advances. The carrying amount of investment and advances amounted to P1,317,871,168 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 P3,567,678, P4,986,825 and P6,147,237 for the year 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 P3,381,640 and P6,710,240 as of December 31, 2015 and 2014, respectively (see Note 7).

Estimating Impairment of Property and Equipment and Computer Software

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 the overall business; and
- Significant negative industry or economic trends.

An impairment loss recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the trigger of an asset's fair value less costs to sell and value in use. The fair value less costs to sell 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 estimated and assumptions that can materially affect the consolidated financial statements. The aggregate carrying values of property and equipment and computer software amounted to P3,381,640 and P6,710,240 as of December 31, 2015 and 2014, respectively (see Note 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 part of its deferred income tax assets to be utilized.

The Group did not recognized deferred income tax assets on temporary differences and carryforward benefits of unused NOLCO and unused tax credits from excess MCIT amounting to P73,360,846, P150,413,179 and P216,368,172 in 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 or part of the deferred income tax assets to be utilized.

4. Trade and Other Receivables

	2015	2014
Trade receivables		
Related parties (Note 9)	P64,063,924	P33,032,742
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
	P81,788,408	P51,802,863

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 P2,211,771 as of December 31, 2015 and 2014 (see Note 9).

Movement in allowance for impairment losses are as follows:

	2015	2014
Balance as at January 1	P9,116,930	P2,497,564
Provision for the year (see Note 14)	4,033,832	6,619,366
Balance as at December 31	P13,150,762	P9,116,930

5. Other Current Assets

	2015	2014
Prepayments	P935,887	P118,678
Creditable withholding tax (net of allowance for impairment losses amounting to P706,270 and P547,503 in 2015 and 2014)	3,129,372	3,375,738
Input VAT - net	-	480,515
Others	112,832	97,189
	P4,178,091	P4,072,120

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

	2015	2014
Balance at beginning of year	P547,503	P-
Provisions (see Note 14)	158,767	547,503
	P706,270	P547,503

6. Investments and Advances

Investment in Associate and Advances

As mentioned in Note 1, the Group entered into subscription agreements with Softweb on December 20, 2010. The related investments in Softweb, amounting to ₱6,000,000, represent 50% interest in company.

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 investments accounted for under the equity method are as follows:

Acquisition cost	₱6,000,000
Equity in net Losses	(6,000,000)
	-
Advances to an associate	5,000,000
	₱5,000,000

Advances to an associate pertain to deposits for future stock subscription in Softweb pending the latter's increase in its authorized capital stock.

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

	2015	2014
Total assets	₱29,035,598	₱21,158,716
Total liabilities	63,071,159	53,071,159
Total capital deficiency	34,035,561	31,921,443
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	-	-

	2015	2014	2013
Revenue	₱27,078,313	₱19,192,431	₱31,983,559
Cost of Sales	21,425,033	17,425,033	29,756,717
Expenses	13,752,596	5,396,045	11,885,601
Taxes	314,294	314,294	40,704
Net loss	(8,413,613)	(3,942,941)	(4,854,696)
Group's share of loss for the year	4,206,805	1,971,471	2,412,050

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. The unrecognized share in net loss as of December 31, 2015, 2014 and 2013 amounted to ₱4,206,805, ₱1,971,471 and ₱2,412,050, respectively.

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

On April 28, 2006, the Company entered into a MOA with NOW Telecom and five controlling stockholders of NOW Telecom namely, Top Mega, Joycelink, GHI, EII, Food Camp (the five companies collectively known as 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 Company's stockholders during the 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 nineteen percent (19%) equity interest in NOW Telecom and not 97%, as originally intended. As a result, the 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 Group.

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 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:					
Beginning balances	₱4,937,446	₱15,169,919	₱11,201,287	₱1,393,888	₱32,702,540
Additions	—	—	239,078	—	239,078
Disposals	—	—	—	—	—
Reclassifications	—	—	—	—	—
Ending balances	4,937,446	15,169,919	11,440,365	1,393,888	32,941,618
Accumulated depreciation and amortization:					
Beginning balances	3,443,773	12,206,516	9,620,427	979,621	26,250,337
Depreciation and amortization for the year	500,722	2,588,485	243,449	108,118	3,440,774
Disposals	—	—	—	—	—
Ending balances	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

As of December 31, 2014

	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost:					
Beginning balances	₱4,856,570	₱15,169,919	₱11,201,287	₱1,393,888	₱32,621,664
Additions	80,876	—	—	—	80,876
Disposals	—	—	—	—	—
Reclassifications	—	—	—	—	—
Ending balances	4,937,446	15,169,919	11,201,287	1,393,888	32,702,540
Accumulated depreciation and					

amortization:					
Beginning balances	2,430,199	9,056,032	9,107,349	871,503	21,465,083
Depreciation and amortization for the year	1,013,574	3,150,484	513,078	108,118	4,785,254
Disposals	--	--	--	--	--
Ending balances	3,443,733	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 vehicle under a finance lease agreements (see Note 10).

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 and other payables		
Third parties	₱32,363,996	₱20,736,026
Related parties (see Note 9)	25,112,678	28,242,744
Withholding tax payable	664,630	638,551
Output VAT payable	6,055,944	2,966,931
Accrued expenses		
Interest (see Note 9)	59,903,586	59,903,586
Rent	--	--
Others	8,826,227	7,908,775
	₱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 Company entered into an agreement to promote and market the telecommunication services of NOW Telecom to the Company's clients. Amounts owed by NOW Telecom as of December 31, 2015 and 2014 amounted to ₱31,408,455 and ₱23,720,567 respectively. From the foregoing events, these receivables 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 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. 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 liabilities to EII are due and demandable. EII is a stockholder of the Group
- 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 Group. Amounts owed to KPSC amounted to ₱30,453,286 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, 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. In accordance with PAS 39, the Group calculated for the effective interest rate during the periods of deferral. Accretion/interest expense was recognized in the statements of income using the effective interest rate. 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, the BOD of Velarde Inc., agreed to convert its advances amounting to ₱200,000,000 into 200,000,000 common stocks with par value of ₱1. Further, it was also agreed during the said meeting that the remaining and subsequent advances of Velarde, Inc. to the Group will be interest-free (see Note 12)

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 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 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. The Group entered into a loan agreement with Porteon. The outstanding amount due from Porteon amounted to ₱2,160,300 in 2015 and 2014
- i. In January 2015, the Group entered into an agreement with GHT Network, Inc. (GHT) to provide bandwidth services to its customers. The Group provided infrastructure build-up, technology consultancy and technology design and consultancy. Revenue from GHT amounted to ₱10,000,000.
- j. In January 2015, the Group entered into an agreement with News and Entertainment Network, Inc. (Newsnet) to provide bandwidth services to its customers. The Group provided infrastructure build-up, technology consultancy and technology design and consultancy. Revenue from Newsnet amounted to ₱10,000,000.

Related parties	Category	Transaction Amount	Due from related parties	Trade and other receivables	Due to related parties	Trade and other payables	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
	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	Service	2015	6,488,528	-	-	-	30,453,286	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
AIJC	Advances	2015	2,661	470,022	-	-	-	On demand	Unsecured, no impairment
		2014	233,228	472,683	-	-	-	On demand	Unsecured, no impairment
IBI	Advances	2015	-	15,567,752	-	-	-	On demand	Unsecured, no impairment
		2014	-	15,567,752	-	-	-	On demand	Unsecured, no impairment
	Interest								
		2015	467,033	10,995,926	-	-	-	On demand	Unsecured, no impairment
		2014	467,033	10,528,893	-	-	-	On demand	Unsecured, no impairment

(Forward)

Related parties	Category	Transaction Amount	Due from related parties	Trade and other receivables	Due to related parties	Trade and other payables	Terms	Conditions
Associate								
Holycow	Loans 2015	P--	P--	P2,211,771	P--	P--	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
	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	-	-		
Paradiso Verde	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 Electric Vehicles, Inc.	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	-	-	-		
	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

Related parties	Transaction Category	Transaction Amount	Due from related parties	Trade and other receivables	Due to related parties	Trade and other payables	Terms	Conditions
	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
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
	Advances 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. (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 Group for the obligations under finance lease as 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 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, ₱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 increase 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 approved the increase in the authorized capital stock from 1,320,000,000 shares to 5,320,000,000 shares at ₱1 par value per share. The proposed subscriber to the increase, Velarde, Inc. will subscribe to 1,000,000,000 shares at ₱1 per share, out of the 4,000,000,000 increase with ₱250,000,000 to be initially paid-up.

On November 7, 2014, the Group'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 increased 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 Group. The Group received its certificate of approval for the increase of capital stock on December 17, 2015.

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 Fes	632,437	1,379,090	3,912,100
Others	1,900,237	1,099,430	2,608,514
	₱31,211,830	₱30,642,787	₱56,628,762

15. Income Taxes

The current provision for the income tax 2015, 2014 and 2013 represents MCIT.

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	(2,905,762)	5,332,385	14,268,450
Nondeductible expenses	2,393,637	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	₱58,512,903	₱140,448,329	₱213,170,570
Allowance for probable losses on receivables	15,832,686	9,630,310	2,648,260
MCIT	1,015,257	334,540	308,987
Unrealized foreign exchange loss	-	-	240,355
	₱73,360,846	₱150,413,179	₱216,368,172

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 the year	₱ 140,448,329	₱ 213,170,570
Additions	1,593,769	10,144,918
Application	(13,548,316)	(2,373,187)
Expirations	(70,020,880)	(80,493,972)
Balances at end of year	₱ 58,512,902	₱ 140,448,329

	2015	2014
MCIT:		
Balances at beginning of the year	P 334,540	P 308,987
Additions	680,717	128,612
Expirations	(202,565)	(103,059)
Balances at end of year	P 812,692	P 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 holder of the Parent (a)	P5,235,435	(P38,482,470)	(P87,233,678)
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 loss per share (a/b)	P0.0040	(P0.0292)	(P0.0662)

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, 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 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
<i>Financial assets:</i>				
Cash	P15,979,672	P-	P-	P15,979,672
Trade and other receivables	52,921,911	28,866,497	-	81,788,408
Amounts owed by related parties	74,950,275	-	-	74,950,275
	P143,851,858	P28,866,497	P-	P172,718,355

<i>Financial liabilities:</i>				
Accounts payable and accrued expenses*	₱132,262,431	₱-	₱-	₱132,262,431
Due to related parties	14,620,345	-	223,458,035	238,078,380
Loans payable	-	₱44,500,000	-	44,500,000
	₱146,882,776	₱44,500,000	₱223,458,035	₱414,840,811

*Except government payables

2014

	On demand	Within 1 year	More than 1 year	Total
<i>Financial assets:</i>				
Cash	₱2,066,757	₱-	₱-	₱2,066,757
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

<i>Financial liabilities:</i>				
Accounts payable and accrued expenses*	₱92,841,655	₱30,488,522	₱-	₱123,330,177
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	-	-	44,500,000	44,500,000
	₱107,846,251	₱31,429,697	₱438,920,234	₱578,196,182

*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 Company'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 ₱172,718,355 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, 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 investment

Unquoted equity security is carried at cost or its available net book value 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.

Loans payable

The fair value of loans payable is based on the discounted net present value of cash flows

Capital Management

The Group considers the equity presented in the consolidated statement of financial position 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	₱1,082,846,644	₱877,625,445
Due to related parties	238,078,380	411,351,212
	₱844,768,264	₱466,274,233

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
Equity in net losses of associates	₱-	₱-	₱-
Provision for income tax	-	1,508,890	1,508,890
Net income	643,959	4,591,474	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
Equity in net losses of associates	₱-	₱-	₱-
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	52,575,645	524,095,254	576,670,899
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
Equity in net losses of associates	₱-	₱-	₱-
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

**NOW CORPORATION
AND SUBSIDIARIES**

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Deficit, as adjusted to available for dividend distribution, beginning	(₱435,687,362)
Net income during the year	5,236,704
Deficit	(₱430,450,658)

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

- Total Consolidated revenues in the first quarter of 2016 is Php11.306 Million, decreased 17% or Php2.396 Million from last year's first quarter revenue of Php13.702 Million compared to this quarter Php 11.306 Million. The decrease is due to decrease in Service Revenue from Php 12.025 Million last year down to Php 7.132 Million this year. However, sales on IBM licenses increased by Php1.548 Million, from Php1.617 in 2015 to Php3.165 in 2016. Interest Income increased by Php 948K, from last year's PHP301.00 to this year ₱ 948,760.00.
- Operating Expenses for the first quarter of 2016 is Php5.095 Million, with slight decrease from last year's operating expense of Php5.143 Million.
- As of March 31, 2016, the total consolidated assets of the Company stood at Php1.495 Billion compared with last year's Php1.461 Billion or an increase by Php34 Million. Current Assets increased by Php36.601 Million or 27% from Php137.16 Million 2015 to Php173.760 Million 2016, due to the increase in Trade and other receivables by Php 35.615 Million, from last year's Php 49.395 Million, increased to this year's Php 85.010 Million. Amounts owed to related parties decreased by Php 2.869 Million from last year's Php 79.081 down to this year's Php 76.213 Million. Other current assets increased by Php5.865. Cash decreased by Php 2.011 Million, from Php 3.996 Million in 2014 down to Php 1.986 Million in 2015. Non-Current Assets decreased to Php1.321 Billion from last year's Php 1.324 Billion.
- Current liabilities increased by php38.461 Million or 26% from Php147.02 Million in 2015 to Php185.543 Million in 2016. The increase is brought about by a reclassification of a Php 44.5 Million bank loan from long term to current. Obligations under finance lease is zero this year, last year's balance of Php221K are all paid during the period. Accounts Payable and accrued expenses decreased by Php6.635 Million or 5%, from Php122.768 Million in 2015 decreased to Php116.133 Million in 2016. Non-Current Liabilities decreased by Php 208.36 Million due to the conversion of Php 200 Million Liability to Equity. And the Php 44.5 Million bank loan that became current.
- On December 9, 2013, the bank has approved the conversion of the short-term loans in the amount of Php44.5M into a two-year term loan. The principal balance of the loan is payable on January 19, 2016.
- As of March 31, 2016, the total Assets stood at Php1.495 Billion, Liabilities at Php416 Million and Equity at Php1.079 Billion.

Part II. Other Information

Item 1. Financial Soundness Indicators

See Annex "A".

There are no known trends, demand, commitments, events or uncertainties that will have a material impact on the Company's liquidity, nor any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

There are no material changes from period to period of the financial statements which include vertical and horizontal analyses of any material item.


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


As the business volume builds up progressively, the Company also plans to beef up its organization by engaging the right talents particularly to join the telecommunications, media, information technology and product development and marketing teams. The Company plans to spend around PhP30 million to PhP40 million in the next two (2) years for capital expenditures in connection with the launch of its new products and services.

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.


Issuer MR. MEL V. VELARDE
Signature and Title President
Date 28 April 2016

Principal Financial/Accounting Officer/Controller MR. VICENTE I. PENANUEVA
Signature and Title  Acting Treasurer
Date 28 April 2016

**Schedule of Financial Indicators
For the Period March 2014 and 2013**

		31-Mar	
		2016	2015
Liquidity	Current Ratio	0.936	0.933
Solvency	Debt to Equity Ratio	0.385	0.669
Equity	Asset to Equity Ratio	1.385	1.669
Interest	Interest Rate Coverage Ratio	-20.73	-7.636
Profitability	Profit Margin	14.50%	6.905%
	Return of Assets	-0.23%	-0.15%
	Return of Equity	-0.32%	-0.26%
	Book Value per share	0.711	0.6646
	Earnings per share	-0.0023	-0.0017

The Financial Indicators are computed as follows:

Liquidity: $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$

Solvency: $\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Stockholders' Equity}}$

Equity: $\text{Asset to Equity Ratio} = \frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$

Interest: $\text{Interest Rate Coverage Ratio} = \frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$

Profitability: $\text{Profit Margin \%} = \frac{\text{Profit margin}}{\text{Total Revenue}} \times 100$

$\text{Return on Assets \%} = \frac{\text{Return on assets}}{\text{Total Assets}} \times 100$

$\text{Return on Equity \%} = \frac{\text{Net Income}}{\text{Total Stockholders' Equity}} \times 100$

$\text{Book Value per share} = \frac{\text{Total Stockholders' Equity}}{\text{Average Outstanding Shares}}$

$\text{Earning per share} = \frac{\text{Net Income}}{\text{Average Outstanding Shares}}$