COVER SHEET

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(Company's full name)

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

ANGELINE L. MACASAET

Contact Person

750-0211

Company Telephone Number

SEC Form 20-IS DEFINITIVE

Form Type

1 0 Month **1 0** Day

2016

Fiscal Year

1 1 Month **0 8** Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [x] Definitive Information Statement

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

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

4. SEC Identification Number **A199600179**

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

6. **Unit 5-I, 5th Floor, OPL Building,100 C. Palanca Street, Legaspi Village, Makati City, Philippines**
   Address of principal office Postal Code **1229**

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

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

   08 November 2016, 10:00 am at Garden Wing, Garden Ballroom 2, 3 and 4, EDSA Shangri-La Hotel, Mandaluyong City

9. Approximate date on which the Information Statement is first to be sent or given to security holders **14 October 2016**

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

    Name of Person Filing the Statement/Solicitor: N/A
    Address and Telephone No.:

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

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

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

    Yes ______ No **X**
    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Special Stockholders' meeting of NOW Corporation (the "Company") will be held at 10:00 am on 08 November 2016, at 10:00 am at Garden Wing, Garden Ballroom 2, 3 and 4, EDSA Shangri-La Hotel, Mandaluyong City. The Record Date for the Annual Stockholders' meeting is set on 28 September 2016.

The complete mailing address of the Company is Unit 5-I, 5^{th} Floor, OPL Building, 100 C. Palanca Street Street, Legaspi Village, Makati City 1229.

The approximate date when this information statement is first to be sent to the Company's stockholders is 14 October 2016.

Item 2. Dissenters' Right of Appraisal

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

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Number of Common Shares Outstanding as of 30 September 2016 1,517,278,350 shares.

b. As of 30 September 2016, there are 482,342,839 common shares owned by foreigners, or 31.79%.

c. Stockholders of record of the Company as of 28 September 2016 shall be entitled to notice of, and to vote at the Special Stockholders' Meeting, on a one-share-one vote basis. No director has cumulative voting rights. No discretionary authority for solicitation of cumulative voting may be exercised.

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

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

i. Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 30 September 2016:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Top Mega Enterprises, Limited Unit 503-4, 5/F Fu Fai Commercial Centre, 27 Hillier Street, Sheung Wan Hong Kong	Direct	Chinese	375,935,951	24.77
Common	PCD NOMINEE CORP.	Direct	Filipino	326,778,719	21.53
Common	Gamboa Holdings, Inc. No. 2244 Espana Avenue, Sampaloc, Manila	Direct	Filipino	225,438,482	14.85
Common	Emerald Investments, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct/Indirect	Filipino	209,910,184 100,000,000	20.42
Common	Velarde, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	200,571,545	13.21
Common	Foodcamp Industries & Marketing, Inc. Unit 5-I, 5th Floor, OPL Building, 100 C. Palanca St., Legaspi Village, Makati City	Direct	Filipino	91,726,741	6.04
Common	Joyce Link Holdings, Limited Unit 503-4, 5/F Fu Fai Commercial Centre, 27 Hillier Street, Sheung Wan Hong Kong	Direct	BVI	86,458,552	5.69

The shares of the above shareholders will be voted by the following individuals during the special shareholders' meeting of the Company:

Gamboa Holdings, Inc. – Mel V. Velarde
Emerald Investments, Inc. – Atty Jose S. Alejandro
Foodcamp Industries and Marketing, Inc. – Ms. Elena G. Dimailig
Top Mega Enterprises Limited – Mr. Romeo C. Escobar, Jr.
Joyce Link Holdings, Limited – Mr. Kristian Noel A. Pura

The Company knows of no person holding more than 5% or more under the PCD Nominee Corporation.

ii. Security Ownership of Directors and Management as of 30 September 2016:

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

Title of Class	Name of Beneficial Owner	Position	Citizenship	Amount of Beneficial Ownership	Percent of Class
Common	Thomas G. Aquino	Chairman	Filipino	1)	<.01
Common	Mel V. Velarde	President and CEO	Filipino	10	<.01
Common	Jose S. Alejandro	Member of the BOD	Filipino	10	<.01
Common	Vicente Martin W. Araneta III	Member of the BOD	Filipino	1	<.01
Common	Ramon Guillermo R. Tuazon	Member of the BOD	Filipino	1	<.01
Common	Gerard Bnn R. Bautista	Member of the BOD	Filipino	1	<.01
Common	Marlou B. Ubano	Independent Director	Filipino	1	<.01
Common	Jan-Olov Conny Dolonius	Member of the BOD	Swedish	1	<.01
Common	Winnita V.Ysog	Member of the BOD	Filipino	1	<.01
Common	Angeline L. Macasaet	Corporate Secretary, Member of the BOD	Filipino	1	<.01
-	Andre Gian P. Aguirre	Acting Treasurer	Filipino	0	0

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

iii. Voting Trust Holders of 5% or More

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

iv. Changes in Control

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

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

Item 5. Directors and Executive Officers

a. Information required of Directors and Executive Officers

i. Directors and Officers

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

Economics in 1972 from the University of Asia and the Pacific, and an AB in Economics in 1970 from the School of Economics of the University of the Philippines.

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

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

Vicente Martin W. Araneta III, *age 52, Filipino, Director* He also serves as Director and President of Facilities, Inc. and as Chairman of Real Properties, Inc., the holding company of Facilities, Inc. and owner of the Palladium Subdivision. He is also a member of the Board of Directors and Chief Financial Officer of ActivAsia, Inc., a 360-degree marketing services company specializing in Out-of-Home, events, point-of-sale and channel activation, tourism marketing, sports marketing and creative services. He is an incorporator, founding member, Treasurer and Director of the Philippine Chamber of Commerce and Industry – Pasig City, Inc.. He serves as director and chief financial officer of Algo-Rhythm Communications, Inc., Arribadigital, Inc. and ActivCare Home Health Solutions, Inc. He is currently the chief financial officer of Awesome Lab, Inc.. He is also a member (on-leave) of the Management Association of the Philippines and of the Chamber of Real Estate and Builders Associations, Inc. Mr. Araneta is a member of the Ateneo Alumni Association, Inc. and served as a member of its Board of Directors for the period 2005-2007 and 2009-2012. He is also the President of Ateneo, Inc. and a member since 2011 of the Philippine Association of Congress Exhibitors/ Organizers & Suppliers, Inc. (PACEOS). He is the incorporator of the Mandaluyong Business Foundation. Mr. Araneta also served as Director for the period 2004 to 2005 of the Philippine Science High School Foundation.

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

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

Ramon Guillermo R. Tuazon, *age 57, Filipino, Director,* is also the president of the Asian Institute of Journalism and Communication (AIJC) and secretary general of Asian Media Information and Communication Centre (AMIC). Mr. Tuazon is chairman of the Philippines Commission on Higher Education (CHED) Technical Committee for Communication (TCC) and member of the CHED Technical Panel for Social Sciences and Communication. He is also a member of the CHED NCR Regional Quality Assurance Team (RQAT). He has served UNESCO in various capacities including Media Development Specialist for UNESCO Myanmar (November 2012- January 2014). Mr. Tuazon served as consultant/team leader to over 30 public information and communication programs and projects. He also participated in 15 international and about 40 national research projects in diverse areas such as mass media, communication, formal and non-formal education, literacy, children's rights, judicial reform and rule of law, etc. He has provided research and consultancy services in other countries including Maldives, Lao PDR, Myanmar, Bhutan, Indonesia, and France. He has co-authored six books, co-edited 15 books/monographs, written over 10 handbooks/ modules, published numerous articles in international and national books, journals, and monographs. Mr. Tuazon completed his Master in Communication Management from the AIJC and Bachelor of Science in Commerce from University of Santo Tomas where he also took graduate work in advertising.

Jan-Olov Conny Dolonius, *age 67, Swedish, Director*, was elected member of the Board of Directors of the Company on 05 August 2016. He joined Sweden's second biggest construction company ABV after graduating from Lunds University in Sweden 1974. He was administration manager of several construction projects in East Europe. In 1978, he joined Sweden's second biggest bank, Svenska Handels Banken, SHB as managing director for SHB's subsidiary in Sao Paolo Brazil. In.1982, he moved to Singapore to start Svenska Handelsbanken Asia, a wholly-owned subsidiary of SHB. In 1992, he left the bank and worked for a year as financial consultant to a mobile telephone company in Indonesia. In 1993, he joined International Wireless Company, IWC, in San Francisco USA as partner. IWC invested in and managed up start mobile telephone companies. In 2001, he participated in a management buy-out of Nextel Philippines. In 2004, he joined Focus Equity as partner and Finance Director. Focus Equity was active in the high security sector (bank notes and passports).

Winnita V. Ysog, *age 51*, *Filipino, Director*, was elected as member of the Board of Directors on 02 September 2016. She served as Marketing Manager of Wizard Academy, a school which offered preparatory education. She also served as Managing Director of Altimax Broadcasting, Inc. In 2004, she served as Vice-Chairman of the Executive Committee and Vice-President of the Human Resource and Quality Administration of Next Mobile, Inc. In 2009, she ventured into the beauty and wellness business and set-up Vanilla Spice. She is the President of Jonahs and Seths Holdings, Inc. She obtained her Bachelor of Science, Major in Tourism degree from the University of the Philippines, Diliman, where she received an award of Proficiency in French. She also obtained her Masters in Management from the Asian Institute of Management, Makati City. She is now the owner and founder of Mabuhay Ako - Bag of Life 360 and currently, the President of Rotary Club of Kamuning East, Rotary International District 3780.

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

Andre Gian P. Aguirre, *age 36, Filipino, Acting Chief Finance Officer.* He was elected by the Company's Board of Directors as Acting Chief Financial Officer on 05 August 2016. He brings to the Company 12 years experience in Corporate Finance, Controllership, Audit and Accounting. Before he joined the Company, he was an Audit Manager of Sison Corillo Parone and Company (SCP), one of the leading Auditing Firms in the country of which he was assigned to manage the audit of various Companies in different industries. From 2010 to 2012, he was with Shell Business Service Centre, wherein he was the Senior Utilities Accountant for a cluster of chemical plants based in the Netherlands. He was with SGV for almost 6 years as an auditor assigned to banks and other financial institution. Mr. Aguirre is a Certified Public Accountant. He graduated from Philippine School of Business Administration-Manila in 2003.

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

Election of Members of the Board of Directors

There will be no election of directors and officers during the special stockholder's meeting. The following were elected

i. Involvement in Certain Legal Proceedings of Directors and Officers

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

ii. Identity of Significant Employees

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

iii. Family Relationship

None of the Directors, Advisors and Executive Officers is related up to the fourth civil degree of consanguinity or affinity, except for Mr. Mel V. Velarde whose sibling Winnita V. Ysog was elected as regular director during the 02 September 2016 special meeting of the Board of Directors.

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

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

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

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

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

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

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

b. Certain Relationships and Related Transactions (See Note 10 of 2015 Consolidated Financial Statements)

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

Related Party	Nature of Relationship	Nature of Transaction	Elements of Transactions			
			Balance Sheet		Income Statement	
			2015	2014	2015	2014
IMX Broadband, Inc.	Associate	Loans & receivables Interest Income	26,563,678	26,096,645	467,033	467,033
Gamboa Holding Inc.		Payables	2,130,591	2,130,591		
Emerald Investments, Inc.	Stockholder	Loans & Receivables Payables	40,848 2,902,918	40,848 2,902,918		
NOW Telecom Company, Inc. (formerly Next	Associate	Receivable Payables Investment	31,408,455 749,806 1,289,278,350	23,720,567 621,406 1,289,278,350		

Mobile, Inc.)						
Velarde, Inc.	Stockholder	Loans & Receivables Payables Management Fee	1,200,000 223,458,035	960,000 394,167,083	240,000	240,000
Softweb Consulting, Inc.	Associate	Deposit for Future Subscription	5,000,000	5,000,000		
		Loans &Receivable	2,877,820	8,953,341		
		Trade Receivables	40,463,924	32,072,742		
		Payables	6,390,573	1,704,311		
		Sales			8,391,182	29,686,749
		Management Fee				4,800,000
Holy Cow Animation, Inc.	Associate	Loans Receivable	2,367,771	2,367,771		
ThumbMob	Associate	Investment	6,422,500	6,422,500		
Porteon SEA, Inc.	Associate	Loan Receivable	2,160,300	2,160,300		
KPSC	Associate	Loans & Receivables Payables	204,708 30,453,286	202,548 26,207,689		
AIJC	Associate	Loans & Receivables	470,022	472,683		
Paradiso Verde	Associate	Payables	3,963,674	8,913,971		
Newsnet	Associate	Loans & Receivables	17,267,544	5,119,596	10,000,000	
GHT Network	Associate	Receivables	16,200,180	5,000,000	10,000,000	
I-College	Associate	Receivables	3,877,020	2,945,987		

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

In 2005, the Company entered into an agreement to promote and market the telecommunications services of NOW Telecom Company, Inc., formerly known as Next Mobile, Inc., (NOW Telecom Company, Inc.) to the Company's clients for a period of three (3) years until May 2008. In consideration thereof, the Company billed NOW Telecom P5.0 million in 2006. Also, the Company entered into a financial advisory and arrangement agreement in relation to NOW Telecom's interest in obtaining additional private equity investments as well as loans and credit accommodations from local and international banks and financial institutions. The arrangement was effective until October 2006. A success fee of Php850,000.00 plus the amount equivalent to 3% of the gross amount of investment and/or loan/credit accommodations obtained would be paid by NOW Telecom. In 2006, the Company billed NOW Telecom P3.1 million for its services.

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.

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

In 2008, the Company entered into an agreement with EII for the lease of a 270 square meter condominium unit in Makati. The lease shall be for four (4) years, commencing on January 1, 2008 ending on December 31, 2011. On January 28, 2009, the Company and EII amended the Sub-Lease Agreement to the effect that the monthly rental from January 1 to December 31, 2008 be reduced from Php400 to Php100 per square meter, for a total monthly rental of Php27,000. The parties shall annually review the monthly rental as prevailing circumstances may necessitate. On December 17, 2009, the parties further amended the Sub-Lease Agreement such that for the period January 01, 2010 to October 31, 2010, the Company shall pay monthly rental at the rate of Four Hundred Thirty Pesos and Twenty Centavos (Php431.20) per square meter, for a total monthly rental of Php235,590.40. For the period November 01, 2010 to October 31,2011 the Company shall pay monthly rental at the rate of Four Hundred Seventy-Four Pesos and Thirty-Two Centavos (Php474.32) per square meter, for a total monthly rental of Php259,149.48.

On November 17, 2008, Velarde, Inc. appointed the Company as Financial Advisor and Arranger in relation to Velarde's interest in selling part or all of its shareholdings in Altimax Broadcasting Co., Inc. The engagement is for a limited period of six months only. Income earned from this engagement amounted to Php600,000.00.

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

In 2010, Velarde Inc., a stockholder of the Company gave non-interest bearing advances to the Company in the amount of Php60.1M to fund its working capital requirements and to finance its investments. Such advances may be used to pay for any additional subscription into the Company in the future.

On November 08, 2012, the BOD of Velarde, Inc. agreed to enter into an agreement with the Company for the deferment of accrual of interest starting November 2012. Thus, no interest accrued starting November 2012.

On July 16, 2010, the Company entered into a service agreement with KPSC for a period of one (1) year, beginning July 16, 2010 to July 15, 2011, extended up to July 15, 2012. On June 7, 2012, the Company entered into another service agreement with KPSC for a period of 2 years beginning July 16, 2012 to July 15, 2014. KPSC provides consultancy and manpower services depending on the requirements of the Company.

The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Company manages credit risk by monitoring its credit exposures and assessing the creditworthiness of counterparties.

There are no parties to the transaction that fall outside the definition of "related parties" under SFAS/IAS No. 24 with whom the registrants have a relationship that enables the parties to negotiate terms of material transactions that may be not be available and from other independent parties.

c. Resignation of Directors

Except for Eliseo M. Rio, Jr. and Amelito V. Velarde who tendered their respective resignations effective 02 September 2016, no other member of Board of Directors resigned from the date of their election on 02 June 2016 up to the present.

Item 6. Compensation of Directors and Executive Officers

During the Regular Meeting on 12 March 2014, the Board approved the increase in the per diem from Php1,500.00 to Php5,000.00. No stock warrants/ grants or stock options on the Company's share was be issued or given to the directors or executive officers as form of compensation for the services rendered. Below is the compensation summary for the Company. No bonus was provided for the years 2012 to 2015.

Year	Name & Principal Position	Aggregate Professional Fees
		As a group (Amounts in PhP)
For the year ending Dec.31, 2015	Management Executives	**6,858,807.84**
	All Board of Directors	**128,500.00**
	Treasurer	**None**
	Bonus	**None**
For the year ending Dec.31, 2014	Management Executives	**5,829,249.42**
	All Board of Directors	**95,000.00**
	Treasurer	**None**
	Bonus	**None**
For the year ending Dec.31, 2013	Management Executives	**18,378,973.00**
	All Board of Directors	**34,500**
	Treasurer	**1,584,773.11**
	Bonus	**None**
For the year ending Dec 31, 2012	Management Executives	**21,466,589**
	All Board of Directors	**34,500**
	Treasurer	**None**
	Bonus	**None**

Estimated Compensation for 2016			
	COMPENSATION	**OTHERS**	**TOTAL**
Five (5) most highly Compensated-CEO and Top Four (4) Executive Officers/	7,011,588.24		
All Directors		180,000.00	
			7,191,588.24

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

Item 7. Independent Public Accountants

The auditing firm of Sycip Gorres Velayo & Co. (“SGV & Co.”) is the incumbent external auditor of the Company for the calendar year 2016 having been re-appointed at the June 2, 2016 annual meeting of the shareholders.

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

The auditing firm of SGV & Co. has been the external auditor of the Company for the last five years. There have been two different partners in charge from 2010 to 2015. For the 2015 audit, the partner in charge was Ms. Jhoanna Feliza C. Go. The Company is in compliance with SRC Rule 68, paragraph 3(b)(IV) regarding compliance with the 5-year rotation of external auditor.

Audit Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for the audit of the Company's annual financial statements was Php220,000.00 for 2015 and Php220,000 for 2014.

Except for its review conducted in May 2009 of the Company's Statement of Active Business Pursuits and Objectives, the external auditor does not render any other assurance and services related to the performance of the audit nor does it render any professional service for tax accounting, advice, planning and any other form of tax services.

The Company's Audit Committee recommended to the Board of Directors the appointment of SGV & CO. as its external auditor and the fixing of the audit fees. The stockholders ratified the resolution of the Board of Directors.

Audit Committee

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

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

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There is none.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

Other data related to the Company's financial information such as the Consolidated Audited Financial Statements as of 31 December 2015 together with the Statement of Management Responsibility and SEC Form 17-Q as of 30 June 2016 are hereto attached as **ANNEXES "B"** and **"C"**, respectively.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

a. the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
b. the acquisition by the registrant or any of its security holders of securities of another person;

c. the acquisition by the registrant of any other going business or of the assets thereof;
d. the sale or other transfer of all or any substantial part of the assets of the registrant; or
e. the liquidation or dissolution of the registrant.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

None.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

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

1. Minutes of the Annual Stockholders' Meeting last 02 June 2016.

2. Other proposed Actions:

   Action will be taken to approve and ratify the acts of the Board of Directors and Management of the Company from the last special meeting of stockholders held on 02 June 2016 up to the date of the special meeting of stockholders on 08 November 2016. These acts were adopted in the ordinary course of business and include the election of corporate officers and committee members.

Item 16. Matters Not Required to be Submitted

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

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

To be presented for approval by at least 2/3 of all stockholders present during the 08 November 2016 special stockholders' meeting is the amendment of the Seventh Article of Incorporation of the Company to authorize the creation of Sixty Million (60,000,000) Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares With or Without Detachable Warrants with a par value of One Peso (Php1.00) per share. Upon approval of the amendment of the Seventh Article by the Securities and Exchange Commission, the newly-created preferred shares will be applied for listing in the Philippine Stock Exchange.

With the amendment of the Seventh Article, a new type of security will be created that will enable the issuance of preferred shares of stock that will provide the Company an alternative form of raising capital for expansion, capital expenditures, working capital and other general corporate uses.

Item 18. Other Proposed Actions

Other than the matters indicated in the Notice and Agenda and Item 17 included in this Information Statement, there are no other actions proposed to be taken at the meeting.

Item 19. Voting Procedures

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

Compliance with Corporate Governance

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

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

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

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 10th October 2016.

NOW CORPORATION
By:

MEL V. VELARDE
President and CEO

ANDRE GIAN P. AGUIRRE
Acting Treasurer

ANGELINE L. MACASAET
Corporate Secretary

OCT 1 0 2016

SUBSCRIBED AND SWORN to before me this 10th day of October 2016, affiants exhibiting to me their government-issued identification evidence of identity, as follows:

NAMES	Competent Evidence of Identity		Expiry Date
Mel V. Velarde	Philippine Passport No.	EC0179707	30 January 2019
Andre Gian P. Aguirre	PRC No.	0113012	22 January 2019
Angeline L. Macasaet	Philippine Passport No.	EB7716586	21 March 2018

Doc. No. 197;
Page No. 31;
Book No. LVI;
Series of 2016.

ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

PART I - BUSINESS AND GENERAL INFORMATION

General Information

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

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

On March 22, 2005, a Memorandum of Agreement was executed by AIB and Gamboa Holdings, Inc. (Gamboa), whereby AIB agreed to sell and Gamboa agreed to purchase 18,171,286 or 2/3 of the shares of stock of Cashrounds at an aggregate purchase price of PhP74,395,000.00.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On May 25, 2011 the SEC approved the incorporation of I-Resource Consulting International, Inc. as a wholly owned subsidiary of the Company.The primary purpose of I-Resource Consulting International, Inc.

is to provide consulting, technical advice and professional advisory services to persons, firms, association, corporations, partnerships and other entities.

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

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

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

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

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

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

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

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

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

Business of the Company

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

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

Business Partners

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

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

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

Brands

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

WebsiteExpress.Biz ("WebsiteExpress.Biz") is the first ever postpaid website development services provider in the Philippines operating at a subscription model, providing micro and medium-sized enterprises and individual subscribers affordable, professional websites in as fast as 5 days.

Products and Services

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

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

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

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

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

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

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

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

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

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

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

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

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

11. **Social Journalism** – in partnership with the Asian Institute of Journalism and Communication, Inc., the Company is able to cover important news and events and deliver them through mobile phones, tablets, laptops, desktops and smart TVs.

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

13. **Website Development** – this service helps clients achieve an online presence to generate highly interactive and engaging relationships with the clients' end-customers.

    The Company has established the brand WebsiteExpress.Biz as its vehicle to delivering world-class and globally compliant websites. WebsiteExpress.Biz operates at a subscription model, providing subscribers affordable, professional websites in as fast as 5 days. It is a one-stop shop – development, domain, hosting, SSL certificates, shopping cart, email and more all in one place, eliminating the need to deal with multiple service providers.

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

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

16. **Social Mobile Customer Relationship Management (SOMO CRM) –** this product leverages in today's hottest trend in technology to identify, interact and support new and existing customers. Combined with the basic features of a standard CRM system, SOMO CRM enables organizations to streamline their processes from lead generation to fulfillment.

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

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

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

On July 23, 2002, the BOD and stockholders approved the offer of up to 8,000,000 shares from the Company's unissued common stock through initial public offering (IPO). The application for the IPO of the Company was approved by the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC), on June 11 and July 30, 2003, respectively. The Company was listed in the PSE on July 23, 2003. Issue manager and underwriter was Abacus Capital & Investment Corporation.

Year	Quarter	High	Low	Close
2013	1st	0.510	0.400	0.400
	2nd	0.450	0.360	0.380
	3rd	0.465	0.355	0.430
	4th	0.430	0.365	0.405
2014	1st	0.405	0.360	0.380
	2nd	1.040	0.370	0.710
	3rd	0.910	0.610	0.630
	4th	0.720	0.540	0.570
2015	1st	0.670	0.400	0.495
	2nd	0.630	0.430	0.465
	3rd	0.610	0.400	0.500
	4th	1.290	0.470	0.750
2016	1st	1.140	0.580	1.100
	2nd	3.780	1.100	2.900
	3rd	4.240	2.890	3.440

The Company's stock price as of 30 September 2016 is Php3.44.

Related Stockholder Matters

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

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

The amendment in the MOA was approved by the stockholders such that the shareholders of NOW Telecom will transfer to the Company shares of NOW Telecom in the aggregate number of 2,656,580 shares constituting 19% equity interest in NOW Telecom in exchange for new shares of the Company with an aggregate value of ₱1,289,278,350 for 19% of NOW Telecom, or effectively at a price of ₱485.315085 per NOW Telecom share.

In accordance with the amendment in the MOA, the needed increase in authorized capital stock of the Company to accommodate the foregoing transaction is ₱1,280,000,000 at ₱1.00 par value per share. Accordingly, the stockholders approved the proposal to increase the authorized capital of the Company by ₱1,280,000,000.

On September 19, 2006, the SEC approved the increase in the authorized (to P1.320 Billion) and paid-up capital (to ₱1,317,278,350) of the Company as well as the change of the corporate name from Cashrounds, Inc. to Information Capital Technology Ventures, Inc.

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

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

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

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

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

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

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

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

In its 02 September 2016 Special Meeting, the Board of Directors approved the amendment of the Seventh Article of Incorporation to authorize the creation of Sixty Million (60,000,000) Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares with or without Detachable Warrants with a par value of One Peso (Php1.00) per share.

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

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

No party or person holds any voting trust over any of the Company's shares. There are approximately 75 Holders of Common Stock as of 30 September 2016. The Top Twenty (20) Holders of Common Stock as of 30 September 2016 are as follows:

Name	Nationality	No. of shares	Percentage
Top Mega Enterprises Limited	Chinese	377,935,951	24.77
PCD Nominee Corp.	Filipino	326,778,719	21.53
Gamboa Holdings, Inc.	Filipino	225,438,482	14.85
Emerald Investments, Inc.	Filipino	309,910,184	20.42
Velarde, Inc.	Filipino	200,571,545	13.21
Foodcamp Industries & Marketing, Inc.	Filipino	91,755,741	6.04
Joyce Link Holdings, Limited	British	86,458,552	5.69
Chua Co Kiong, William N.	Filipino	145,000	0.0096
De Leon, Jose Mari S.	Filipino	10,000	0.0006
Espinosa, Joseph	Filipino	10,000	0.0006

Diata, Juditha G.	Filipino	10,000	0.0006
Tareno, Maria Guia I.	Filipino	10,000	0.0006
Serania, Virginia P.	Filipino	10,000	0.0006
Francisco, Richard L.	Filipino	10,000	0.0006
Bocabil, Alben B.	Filipino	10,000	0.0006
Dela Cuesta, Karlo S.	Filipino	10,000	0.0006
Ligutan, Eninias P.	Filipino	10,000	0.0006
Pagudar, Venus B.	Filipino	10,000	0.0006
Alvarez, Jr., Servando B.	Filipino	10,000	0.0006
Cueto, Edessa P.	Filipino	10,000	0.0006
Others	Filipino/Foreign	194,176	0.012
TOTAL		**1,517,278,350**	**100.00%**

The information being presented herein does not relate to an acquisition, business combination or other reorganization that would have an effect on the amount and percentage of present holdings of the Company's common equity owned beneficially by:

(i) any person or group who is known to the registrant to be the beneficial owner of more than five percent (5%) of any class of the registrant's common equity;
(ii) each director and nominee; and
(iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares of any class of its common equity.

Dividends

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

Reconciliation of Retained Earnings Available for Dividend Declaration

Deficit, as adjusted, beginning*	(₱435,687,362)
Net Income based on the face of the Audited Financial Statements	**5,236,704**
Deficit, as adjusted, ending	(₱430,450,658

Recent Sale of Unregistered Securities

There was no sale of unregistered securities or issuance of securities constituting an exempt transaction within the last three years.

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

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

Plans and Prospects for 2016

NOW shall continue with its Enterprise IT and Manpower Resource Augmentation segment while offering guaranteed broadband first to the corporate market business then to consumers. NOW's broadband is delivered via Fiber in the Air and Fiber Underground. The Company aims to integrate IT services including Collaboration together with broadband connectivity and wireless cable TV.

The company also intends to submit a Built-Operate-Transfer proposal to financial institutions offering Cybersecurity bundled with a Collaboration Facility and Private Communications Network.

The company also intends to include network infrastructure implementation services such as bandwidth management system, in-building wiring, installation of wi-fi hotspots, and other vital IT services including private/public cloud services, hybrid cloud on-premise applications, outsourced network management services, system back-up and recovery, mobile apps for business processes and Internet of Things.

Performance as of 30 June 2016

- Total Consolidated revenues in the second quarter of 2016 amount to Php30.899 Million, a 16.5%decrease worth Php6.113 Million from last year's first quarter revenue of Php37.012Million. This decrease in revenue from Services Fees is due to a major shift of the company's focus from one-time contracts of IT services to the recurring revenues of Broadband Internet that have two to three year durations -- making cashflows more predictable and forecastable. Thus, the revenue from service fees in 2016 is Php29.81 Million while in 2015 is Php36.89 Million. This deficiency is expected and temporary, to be offset by new recurring monthly revenues from Broadband Internet business, which has grown to P834k monthly, ending second quarter -- creating a base for this new revenue stream for the company. With this shift of focus, the Broadband Internet business will evolve as the new core business of the company eventually.

- During the quarter, the Company was able to win 12 new enterprise clients, mostly high rise buildings, availing of the Company's innovative Broadband Internet services, which has a total revenue of Php7.56 million. These 12 clients emerged from the fiber in the air ring already completed by the Company at the center of Metro Manila, from which any building could be connected to NOW Broadband in one or two hops. The total amount of Php7.56 million was not booked as part of the total revenues in this accounting report because the Company is still studying which part of the contract revenue would be considered as already earned upon installation of the equipment vis avis the subscription revenues to be earned monthly. To be safe, only the earned subscription months have been booked.

- In addition, in May 2016, the Company took part in the public bidding for the Supreme Court's Installation of Judiciary Email System with an approved budget for the contract amounting to Php95 Million. The Company submitted the lowest bid among all four (4) bidders. Currently, the issuance of the certificate of award is on hold pending resolution of some issues on the technical aspect of the project. The Company is hopeful that all issues will be clarified and settled the soonest possible time so that the project can proceed without further delay.

- Operating Expenses for the second quarter of 2016 is Php40.58 Million, decreased slightly by 10.1% from last year's operating expense of Php45.13 Million. The decrease was brought about largely by the significant decrease on the cost of services, from Php32.28 Million in 2015 decreased to Php20.49 million in 2016. Though the significant decrease in cost of services, there were however some identified expenses which has increase in 2016. Entertainment, Amusement and recreation expenses increased by Php1.122 Million or 121.93%, from Php 912K in 2015 to Php2.034 million in 2016. Salaries expense also increase significantly, from Php941K in 2015 to Php3.719 million in 2016 or a 295.21% increase –due to the Company's aggressive intent to seize opportunities in the Broadband Internet market. There were some expense items that decrease due to cost efficiency measures being implemented by the company such as insurance expense and dues and subscription.

- As of June 2016, the total consolidated assets of the Company stood at Php1.524 Billion compared with last year's Php1.461 Billion or an increase by Php63 Million. Current Assets increased by Php63.17M or 46% from Php138.61M to Php201.781 Million is due to the increase in amounts owed by related parties by Php21.69 Million or 30.1%, and trade receivables increase by Php30.56 million or 51%.

- Current liabilities decrease by Php8.42 Million or 5.56% from Php151.23M in 2015 down to Php142.812 Million in 2016. This was mainly due to Accounts Payable and accrued expenses which decreased by Php15.65 Million or 12.1%, from Php129.48Million in 2015 it dropped to Php113.83 Million in 2016. Though there was an increase in due to related party account, from Php21.50 Million in 2015 increased to Php28. 96 million in 2016.

- As of June 30, 2016, the total Assets stood at Php1.524 billion, Liabilities at Php451.032Million and Equity at Php1.073 billion.

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. This loan has been fully paid on June 20, 2016.

Plans and prospects for 2015

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

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

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

Year 2014

The consolidated revenues for the year 2014 is Php73.779 Million, a 7% short of last year's Php79.318 Million. The unfavorable variance of php5.539 is due to the decrease in IT Service Fees. This years' IT Service Fees is php47.031 Million while in year 2013 was php53.320 Million. However, the company's sales of IBM licenses in 2014 increased to php21.235 Million from last year's php20.486 Million. Interest Income increased to php472,549 from last year's php471,820.

The Operating Expenses is Php49.805 Million in 2014 and php95.670 Million in 2013. There is significant decrease by php45.864 Million or 48% in 2014 as compared to 2013. The decrease of operating expenses was brought about largely by decrease on contracted outside services amounting to Php22.382 Million or 88%, This is inclusive of manpower reduction for cost efficiency measures. Interest Expense decreased by php19.621 Million or 51% due to a restructured advances from an affiliate. The savings on the following cost line items for 2014 as against 2013 were due to cost efficiency measures, such as: Utilities decreased by Php 2.745 Million or 68%; Professional fees decreased by Php2.533 Million or 65%; Communication decreased by php2.448 Million or 46%; Rental decreased by Php399K or 12% and, others decreased by php853K or 11%. Depreciation and Amortization decreased by php1.160 Million or 19% is due to retirement of some assets. However, there is increase by Php6,278 Million or 706% in Impairment loss in 2014 as compared to 2013. The company provided an allowance for impairment of receivables and other assets php7.167M in 2014, while 2013 was php889K.

Total Net income (loss) as of December 2014 is (Php38.230 Million) or Php49.004 Million less compared with last year of (Php87.234 Million). This year's decrease of cost and expenses contributed the improved bottom line in 2014.

As of December 31, 2014, the total consolidated assets of the Company stood at Php1.454 Billion compared with last year's Php1.445 Billion, an increase by Php9.588 Million or 1%. Current Assets increased by Php14.647 Million or 13%, from Php115.062 Million in 2013 to Php129.709 Million this 2014. The increase in Current assets were contributed by an increase in trade receivables by Php6.808 Million or 15%, there is an increase in Amounts Owed by Related Parties by Php17.015 Million or 31%, while Cash account and Other Current Assets decreased by 7.649M and Php1.527M respectively. Non-current Assets decreased by Php5.058 Million attributed by decrease in Property and Equipment and other Non-Current Assets by Php4.704 Million and Php353K.

Current liabilities increased by Php4.323 Million or 3%, from php134.630 Million of 2013 to Php138.953 Million of 2014. The variance is due to an increase in Amounts Owed from Related Parties by php10.067 Million or 208%, and decrease in Accounts Payable as well as The obligations under Finance Lease by Php3.437 Million and 2.307 Million respectively. Noncurrent Liabilities on the other hand increased by Php43.423 Million or 11% due to an increase in Amounts Owed from Related parties by Php44.098 Million or

13%. On the other hand, Non-current portion of Obligations under Finance Lease is zero in 2014 and Php675K in 2013.

Total Assets as of December 31, 2014 stood at Php1.454 Billion, Liabilities at Php576.575 Million and Equity at Php877.878 Million.

Year 2013

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

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

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

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

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

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

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

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

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

Year 2012

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

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

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

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

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

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

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

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

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

Receivables and Payables with Related Parties Eliminated During Consolidation

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

J-Span IT Services, Inc.	₱4,700,917.00
Porteon Sea, Inc.	3,443.00
i-Resource Consulting International, Inc.	451,812.00

i-Professional Search Network, Inc.	7,187,697.00
Softrigger Interactive, Inc.	2,816,063

Key Variable and Other Qualitative and Quantitative Factors

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

Financial Soundness Indicators

		30 June 2016 (YTD)	December 31, 2015	December 31, 2014
Profitability	Profit Margin	33.65%	4.54%	-51.82%
	Return on Assets	-0.63%	0.35%	-2.63%
	Return on Equity	-0.84%	0.48%	-4.35%
	Book Value per share	0.7114	0.7138	0.6664
	Earnings per share	-0.0064	0.0035	-0.0290
Liquidity	Current Ratio	1.36	0.921	0.933
Debt to Equity	Debt to Equity Ratio	0.438	0.384	0.657
Assets to Equity	Assets to Equity Ratio	1.438	1.384	1.657
Interest	Interest rate coverage ratio	-14.797	7.40	1.032

The Financial Soundness Indicators are computed as follows:

Profitability:

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

Liquidity:
Current Ratio = Current Assets / Current Liabilities

Debt to Equity:

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

Any Known Trends, Events or Uncertainties

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

Events that will trigger Direct or Contingent Financial Obligation

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

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

Material Off-Balance Sheet Transactions

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

Material Commitment for Capital Expenditures

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

Trends, Events or Uncertainties (Material Impact on Sales)

There were 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.

Significant Elements of Income or Loss

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

Changes from Period of FS

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

Seasonal Aspects that Have Material Effect on the FS

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

1. All outstanding stockholders as of record date of 28 September 2016 are entitled to vote, one to one, and shall have the right to vote. Atty. Angeline L. Macasaet, the Corporate Secretary, will count the votes cast.

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

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

PART II.

INFORMATION REQUIRED IN A PROXY FORM

There are no proxy solicitations.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 10 October 2016.

NOW CORPORATION
Issuer
By:

MEL V. VELARDE
President and CEO

ANDRE GIAN P. AGUIRRE
Acting Treasurer

ANGELINE L. MACASAET
Corporate Secretary

ANNEX A

NOW CORPORATION

NOTICE OF THE SPECIAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS
NOW CORPORATION

NOTICE IS HEREBY GIVEN that the Special Stockholders' Meeting of NOW CORPORATION, will be held on 08 November 2016, 10:00o'clock a.m. at Garden Wing, Garden Ballroom 2 , 3 and 4, EDSA Shangri-La Hotel, Mandaluyong City, with the following Agenda:

AGENDA

1. Call to Order
2. Certification of Notice and Determination of the Existence of Quorum
3. Approval of Minutes of the Annual Stockholders' Meeting held on 02 June 2016
4. Amendment of the Seventh Article of Incorporation (Creation and Issuance of creation of Sixty Million (60,000,000) Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares With or Without Detachable Warrants and Listing Thereof in the Exchange)
5. Approval of the Public Offering of Redeemable, Convertible, Non-Participating, and Non-Voting Preferred Shares With or Without Detachable Warrant
6. Other Matters
7. Adjournment

The record date for stockholders entitled to notice of, and vote at, the said meeting is 28 September 2016. Registration for the meeting shall be at 9:00 a.m. Please present any proof of identification, such as driver's license, passport, or company I.D, to facilitate registration.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the Company on or before 04 November 2016, addressed to the attention of the Corporate Secretary. Validation of proxies shall be held on 07 November 2014 at 10:30 a.m. at the principal office of the Company. No proxy is being solicited.

10 October 2016.

Angeline L. Macasaet
Corporate Secretary

ANNEX "B"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 - 0 0 1 7 9

COMPANY NAME

NOW CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
73	1/22	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

SYCIP GORRES VELAYO & CO.

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

April 29, 2016

NOW CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All other assets are classified as noncurrent.

A liability is classified as current when:

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

The Group classifies all other liabilities as noncurrent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Years
Transportation equipment	5
Office equipment	2
Furniture and fixtures	2

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

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

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

Computer Software

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

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

Impairment of Nonfinancial Assets

Property and Equipment and Other Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred

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

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

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

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

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2018

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

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

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

Estimating Realizability of Deferred Income Tax Assets

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

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

4. Trade and Other Receivables

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

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

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

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

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

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

5. Other Current Assets

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

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

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

6. Investments and Advances

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

Investment in Associate and Advances

a. *Softweb Consulting, Inc.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Property and Equipment

2015

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

2014

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

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

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

8. Accounts Payable and Accrued Expenses

	2015	2014
Trade payables:		
Third parties	₱32,363,996	₱20,736,026
Related parties (see Note 9)	25,112,678	28,242,744
Accrued expenses:		
Interest (see Note 9)	59,903,586	59,903,586
Others	8,826,227	7,908,775
Deferred output VAT	6,055,944	2,966,931
Withholding tax payable	664,630	638,551
	₱132,927,061	₱120,[illegible]96,613

9. Related Party Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Forward)

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

(Forward)

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

10. Lease Commitments

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

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

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

11. Loans Payable

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

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

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

12. Capital Stock

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

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

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

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

13. Costs of Sales and Services

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

14. General and Administrative Expenses

	2015	2014	2013
Outside services	₱6,602,192	₱3,134,421	₱25,517,320
Provision for impairment loss on:			
Trade and other receivables (see Note 4)	4,033,832	6,619,366	888,958
Other current assets (see Note 5)	158,767	547,503	–
Depreciation and amortization (see Note 7)	3,567,678	4,986,825	6,147,237
Communication	3,563,207	2,817,637	5,265,685
Taxes and licenses	2,473,879	867,665	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	1,348,133
Office supplies	1,020,425	877,500	347,884
Utilities	804,573	1,309,979	4,055,322
Salaries and other employee benefits	756,000	820,646	796,159
Professional fees	632,437	1,379,090	3,912,100
Repairs and maintenance	353,177	348,738	325,343
Insurance	271,898	269,943	197,431
Others	1,275,162	480,749	2,085,740
	₱31,211,830	₱30,642,787	₱56,628,762

15. Income Taxes

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

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

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

The temporary differences are as follows:

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

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

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

The following are the movements in NOLCO and MCIT:

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

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

16. **Basic/Diluted EPS**

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

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

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

17. Financial Instruments

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

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

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

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

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

2015

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

**Except government payables*

2014

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

Except government payables

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

Credit Risk

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

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

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

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

Credit Quality per Class of Financial Asset

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

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

Fair Value of Financial Instruments

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

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

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

AFS Financial Assets

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

Noncurrent Amounts Due from Related Party

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

Noncurrent Amounts Due to Related Party

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

Loans Payable

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

Capital Management

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

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

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

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

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

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

18. Business Segment Information

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of NOW Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 29, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and Securities and Exchange Commission Memorandum Circular No.11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go

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

April 29, 2016

NOW CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
TABLE OF CONTENTS
DECEMBER 31, 2015

NOW CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2015

The table below presents the list of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of "Effective PFRSs"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			
	Amendments to PFRS 5: Changes in Methods of Disposal	See footnote. *		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts	See footnote. *		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	See footnote. *		
PFRS 8	Operating Segments		✓	
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets		✓	
PFRS 9	Financial Instruments (2010 version)	See footnote. *		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	See footnote. *		
	Financial Instruments (2014 or final version)	See footnote. *		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote. *		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	See footnote. *		
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	See footnote. *		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement		✓	
	Amendments to PFRS 13: Short-term receivable and payables		✓	
	Amendments to PFRS 13: Portfolio Exception		✓	
PFRS 14	Regulatory Deferral Accounts	See footnote. *		
PFRS 15	Revenue from Contracts with Customers	See footnote. *		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote. *		
	Amendments to PAS 16: Bearer Plants	See footnote. *		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	See footnote. *		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate	See footnote. *		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities		✓	
	Amendment to PAS 27: Equity Method in Separate Financial Statements	See footnote. *		
PAS 28 (Amended)	Investments in Associates and Joint Ventures		✓	
	Amendment to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	See footnote. *		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Presentation - Tax effect of distribution to holders of equity instrument			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	See footnote. *		
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'	See footnote. *		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote. *		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants	See footnote. *		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate		See footnote. *	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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)

COVER SHEET

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NOW CORPORATION

(Company's full name)

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

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

Angeline L. Macasaet
Contact Person

750-0211
Company Telephone Number

0	8		1	5
Month			Day	

SEC Form 17-Q
2nd Quarter
Ending 30 June 2016
Form Type

Month Day
Annual Meeting

2016
Fiscal Year

Secondary License Type, If Applicable

C F D
Dept. Requiring this doc.

Number/Section

Amended Articles

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

Remark = pls. Use black ink for scanning

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 **June 30, 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
COMMON STOCK	**1,517,278,350**

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

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

PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Indicate by check mark whether the registrant:

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

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

Part I. Financial Information

Item1. Financial Statement

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	January to June 2016 (Unaudited)	January to December 2015 (Audited)
ASSETS		
Current Assets		
Cash	6,241,617	15,979,672
Trade and Other receivables	90,570,219	81,788,408
Amount owed by related parties	93,531,918	74,950,275
Other current assets	11,437,923	4,178,091
Total Current Assets	201,781,677	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	4,325,039	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	429,982	333,964
Total Noncurrent Assets	1,322,393,603	1,321,455,639
TOTAL ASSETS	1,524,175,280	1,498,352,085
LIABILITIES AND EQUITY		
Current Liabilities		
Loans Payable	-	44,500,000
Accounts payable and accrued expenses	113,854,379	132,927,061
Due to related parties	28,958,562	14,620,345
Total Current Liabilities	142,812,940	192,047,406
Noncurrent Liabilities		
Due to related parties – net of current portion	308,220,051	223,458,035
Total Noncurrent Liabilities	308,220,051	223,458,035
Total Liabilities	451,032,991	415,505,441
Equity Attributable to Equity Holders of the Parent		
Common	1,517,278,350	1,517,278,350
Retained Earnings	(430,450,657)	(435,687,362)
Revaluation	1,149,988	1,164,222
Net Income	(9,704,356)	5,236,704
Comprehensive income (loss)	_	(14,234)
Non-controlling Interest	(5,131,036)	(5,131,036)
Total Equity	1,073,142,289	1,082,846,644
TOTAL LIBILITIES AND EQUITY	1,524,175,280	1,498,352,085

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	January to June 2016 (Unaudited)	January to December 2015 (Audited)
REVENUES		
Management Fee	120,000	240,000
Service Revenue	18,350,077	67,108,027
Sales	11,457,084	47,331,371
Interest	949,975	711,418
Miscellaneous Receipt	--	3,065
	30,877,136	115,393,881
COST AND EXPENSES		
Cost of services	15,191,254	40,054,599
Cost of sales	5,296,207	35,545,753
Salaries and other benefits	3,718,503	756,000
Outside Services	3,477,935	6,602,192
Interest and other charges	-	_
Rental	879,898	1,681,446
Taxes and licenses	725,321	2,473,879
Professional fees	558,447	632,437
Light and water	481,390	804,573
Transportation and travel	698,543	1,586,867
Advertising and promotion	333,373	315,366
Depreciation and amortization	1,257,172	3,567,678
Dues and subscription	-	264,846
Repairs and maintenance	327,586	353,177
Communication	2,586,917	3,563,207
Representation	2,034,387	2,430,290
Office supplies	745,917	1,020,425
Training and development	477,545	-
Director's fees	210,000	203,500
Others	646,877	297,643
Insurance	134,530	271,898
Interest	579,227	1,053,844
Security Services	161,778	193,807
Provision on impairment loss on receivables	-	4,192,599
Foreign exchange losses(gains)	-	81,970
Miscellaneous	-	701,561
	40,581,490	108,649,55
INCOME (LOSS) BEFORE INCOME TAX	(9,704,356)	6,744,323
PROVISION FOR INCOME TAX		
Current		

	--	1,508,890
Deferred	-	1,508,890
NET INCOME (LOSS)	(9,704,356)	5,235,433
Currency Translation Adjustment – Gain (Loss)	--	(14,234)
TOTAL COMPREHENSIVE INCOME	(9,704,356)	5,221,200
Non-controlling interests	-	-
	(9,704,356)	5,221,200
Basic /Diluted Earnings (Loss) Per Share	(0.0064)	0.0040

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January to June 2016 (Unaudited)	January to December 2015 (Audited)
NET LOSS ATRRIBUTABLE TO:		
Equity holders of the Parent	(9,704,356)	5,235,433
Non-controlling interests		
	(9,704,356)	5,235,433
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	(14,234)
TOTAL COMPREHENSIVE LOSS	(9,704,356)	5,221,199
ATTRIBUTABLE TO:		
Equity holders of the parent	(9,704,356)	5,222,470
Non-controlling interest		(1,271)
	(9,704,356)	5,221,199

See accompanying Notes to Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	January to June 2016 (Unaudited)	January to December 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	(430,450,657)	(435,687,362)
Net Income (loss)	(9,704,356)	5,236,704
Deficit	(440,155,013)	(430,450,658)
Cumulative Translation Adjustment	1,149,988	1,149,988
	(439,005,025)	(429,300,670)
Non-controlling equity	(5,131,036)	(5,131,036)
Balance at end of year	(444,136,061)	(434,431,706)
Total Equity	1,073,142,289	1,082,846,644

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January to June 2016 (Unaudited)	January to December 2015 (Audited)
Income (Loss) before income tax	(9,704,356)	6,744,323
Adjustments for:		
Interest and Other charges (Note 9 & 11)	579,227	1,053,844
Depreciation and amortization (Note 7 & 14)	1,257,172	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	(949,975)	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	(8,817,932)	16,269,862
Decrease (increase) in:		
Trade and other receivables	(8,781,811)	(34,019,377)
Other current assets	(7,259,832)	(105,971)
Increase (decrease)		
Accounts payable and accrued expenses	2,278,788	11,744,986
Net cash generated from (used in) operations	(22,580,787)	(6,110,500)
Interest received	949,975	(244,385)
Income taxes paid	-	(1,508,890)
Interest paid	(579,227)	(965,588)
Net cash flows from (used in) operating activities	(22,210,039)	(8,829,363)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Due to related parties	(18,581,643)	(3,494,780)
Other noncurrent assets	(96,018)	(193,403)
Acquisition of property and equipment (Note 7)	(1,074,532)	(239,078)
Investments	-	-
Net cash flows from (used in) investing activities	(19,752,193)	(3,927,261)

CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	32,224,177	26,727,168
Payment of finance lease	-	
Net cash flows from financing activities	32,224,177	26,727,168
EFFECT OF EXCHANGE RATE CHANGES ON CASH		2,371
NET INCREASE (DECREASE) IN CASH	(9,738,055)	13,972,915
CASH AT BEGINNING OF THE YEAR	15,979,672	2,006,757
CASH AT END OF THE YEAR	6,241,617	15,979,672

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	January to June 2016	January to June 2015
ASSETS		
Current Assets		
Cash	6,241,617	1,684,266
Trade and Other receivables	90,570,219	60,015,887
Amount owed to related parties	93,531,918	71,847,419
Other current assets	11,437,923	5,059,907
Total Current Assets	201,781,677	138,607,479
Noncurrent Assets		
Investments in shares of stocks	1,302,070,830	1,302,070,830
Due from related parties – net of current	15,567,752	16,003,702
Property and equipment - net	4,325,039	4,123,415
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	429,982	-
Total Noncurrent Assets	1,322,393,603	1,322,197,947
TOTAL ASSETS	1,524,175,280	1,460,805,426
LIABILITIES AND EQUITY		
Current Liabilities		
Loans Payable	-	-
Current portion of obligations under finance lease	-	245,074
Accounts payable and accrued expenses	113,854,379	129,483,567
Due to related parties	28,958,562	21,504,685
Total Current Liabilities	142,812,940	151,233,326
Noncurrent Liabilities		
Loans Payable	-	44,500,000
Due to to related parties – net of current portion	308,220,051	396,165,287
Total Noncurrent Liabilities	308,220,051	440,665,287
Total Liabilities	451,032,991	591,898,613
Equity Attributable to Equity Holders of the Parent		
Common	1,517,278,350	1,317,278,350
Retained Earnings	(430,464,891)	(436,473,893)
Revaluation	1,149,988	1,091,857
Net Income	(9,704,356)	(7,859,736)
Comprehensive income (loss)	_	_
Non-controlling Interest	(5,131,036)	(5,129,765)
Total Equity	1,073,142,289	868,906,813
TOTAL LIBILITIES AND EQUITY	1,524,175,280	1,460,805,426

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(JANUARY TO JUNE)

	January to June 2016	January to June 2015
REVENUES		
Management Fee	120,000	120,000
Service Revenue	18,350,077	36,890,626
Sales	11,457,084	-
Interest	949,975	1,577
Miscellaneous Receipt	--	--
	30,877,136	37,012,203
COST AND EXPENSES		
Cost of services	15,191,254	32,277,288
Cost of sales	5,296,207	-
Salaries and other benefits	3,718,503	941,171
Outside Services	3,477,935	2,712,493
Interest and other charges	-	-
Rental	879,898	583,524
Taxes and licenses	725,321	310,219
Professional fees	558,447	363,075
Light and water	481,390	270,222
Transportation and travel	698,543	596,054
Advertising and promotion	333,373	133,450
Depreciation and amortization	1,257,112	2,386,449
Dues and subscription	-	262,296
Repairs and maintenance	327,586	22,261
Communication	2,586,917	1,921,746
Representation	2,034,387	912,059
Office supplies	745,917	402,923
Training and development	477,545	-
Director's fees	210,000	163,500
Others	646,877	110,117
Insurance	134,530	243,272
Interest	579,227	519,740
Security Services	161,778	-
Provision on impairment loss on receivables	-	-
Foreign exchange losses(gains)	-	
Miscellaneous	-	-
	40,581,490	45,131,859
INCOME (LOSS) BEFORE INCOME TAX	(9,704,356)	(8,119,656)
PROVISION FOR INCOME TAX		

Current	-	(259,920)
Deferred	-	
NET INCOME (LOSS)	(9,704,356)	(7,859,736)
Currency Translation Adjustment – Gain (Loss)	--	
TOTAL COMPREHENSIVE LOSS	(9,704,356)	((7,859,736)
Non-controlling interests	-	-
	(9,704,356)	(7,859,736)
Basic /Diluted Earnings (Loss) Per Share	(0.0064)	(0.0060)

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(APRIL TO JUNE)

	April to June 2016	April to June 2015
REVENUES		
Management Fee	60,000	60,000
Service Revenue	11,218,132	23,248,511
Sales	8,291,832	-
Interest	1,215	1,276
Miscellaneous Receipt	--	--
	19,571,178	23,309,787
COST AND EXPENSES		
Cost of services	6,840,670	21,514,574
Cost of sales	3,979,673	-
Salaries and other benefits	3,602,851	941,171
Outside Services	1,541,318	1,692,029
Interest and other charges	-	-
Rental	487,399	139,457
Taxes and licenses	281,701	8,091
Professional fees	315,047	228,567
Light and water	253,811	67,354
Transportation and travel	641,227	378,497
Advertising and promotion	297,972	101,246
Depreciation and amortization	1,213,592	1,545,475
Dues and subscription	-	6,578
Repairs and maintenance	277,823	-17,820
Communication	2,069,667	1,375,334
Representation	1,507,973	423,694
Office supplies	639,160	344,357
Training and development	468,545	-
Director’s fees	160,000	128,500
Others	600,123	7,434
Insurance	88,900	76,715
Interest	420,163	264,562
Security Services	73,442	-
Provision on impairment loss on receivables	-	-
Foreign exchange losses(gains)	-	
Miscellaneous	-	-
	25,761,057	29,225,815
INCOME (LOSS) BEFORE INCOME TAX	(6,248,381)	(5,916,028)
PROVISION FOR INCOME TAX		

Current	-	(259,920)
Deferred	-	
NET INCOME (LOSS)	(6,248,381)	(5,656,108)
Currency Translation Adjustment – Gain (Loss)	-	
TOTAL COMPREHENSIVE LOSS	(6,248,381)	(5,656,108)
Non-controlling interests	-	-
	(6,248,381)	(5,656,108)
Basic /Diluted Earnings (Loss) Per Share	(0.0041)	(0.0043)

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January to June 2016	January to June 2015
NET LOSS ATRRIBUTABLE TO:		
Equity holders of the Parent	(9,704,356)	(7,859,736)
Non-controlling interests		
	(9,704,356)	(7,859,736)
OTHER COMPREHENSIVE INCOME		
Cumulative translation adjustment	-	-
TOTAL COMPREHENSIVE LOSS	(9,704,356)	(7,859,736)
ATTRIBUTABLE TO:		
Equity holders of the parent	(9,704,356)	(7,859,736)
Non-controlling interest		
	(9,704,356)	(7,859,736)

See accompanying Notes to Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	January to June 2016	January to June 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	(430,450,657)	(436,473,893)
Net Income (loss)	(9,704,356)	(7,859,736)
Deficit	(440,155,013)	(444,333,629)
Cumulative Translation Adjustment	1,149,988	1,091,857
	(439,005,025)	(443,241,772)
Non-controlling equity	(5,131,036)	(5,129,765)
Balance at end of year	(444,136,061)	(448,371,537)
Total Equity	1,073,142,289	868,906,813

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January to June 2016	January to June 2015
Income (Loss) before income tax	(9,704,356)	(7,859,735)
Adjustments for:		
Interest and Other charges (Note 9 & 11)	579,227	519,740
Depreciation and amortization (Note 7 & 14)	1,257,172	2,386,449
Provision on Impairment loss on receivables (Note 4 and 14)	-	-
Unrealized foreign exchange loss	-	-
Loss on disposal of property and equipment	-	-
Interest income	(949,975)	(1,577)
Provision on Impairment loss on other assets		
Equity in net losses of associates (Note 8)		-
Operating income (loss) before working capital changes	(8,817,932)	(4,955,124)
Decrease (increase) in:		
Trade and other receivables	(8,781,811)	(8,213,024)
Other current assets	(7,259,832)	(989,030)
Increase (decrease)		
Accounts payable and accrued expenses	(2,278,788)	6,135,727
Net cash generated from (used in) operations	(22,580,787)	(8,021,451)
Interest received	949,975	1,577
Income taxes paid		
Interest paid	(579,227)	(519,740)
Net cash flows from (used in) operating activities	(22,210,039)	(8,452,768)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in:		
Due from related parties	(18,581,643)	(75,109)
Other noncurrent assets	(96,018)	192,741
Acquisition of property and equipment (Note 7)	(1,074,532)	2,328,788
Investments	-	-
Net cash flows from (used in) investing activities	(19,752,193)	2,596,738
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in amounts owed to related parties	32,224,177	6,053,997
Payment of finance lease	-	(430,358)

Net cash flows from financing activities	32,224,177	5,623,639
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
NET INCREASE (DECREASE) IN CASH	(9,738,055)	(322,491)
CASH AT BEGINNING OF THE YEAR	15,979,672	2,006,757
CASH AT END OF THE YEAR	6,241,617	1,684,266

See accompanying Notes to Consolidated Financial Statements

NOW CORPORATION
AND SUBSIDIARIES
AGING OF RECEIVABLES

	30-June-16	30-June-15
Current	3,145,885	8,718,360
1 -30 days past due	8,053,250	1,553,382
31 -60 days past due	705,712	7,075,905
61 -90 days past due	59,832	618,190
over 91 days past due	64,118,083	38,447,348
Total	76,082,762	56,413,185

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 Amalgamated 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.

In 2012, the Company changed its principal place of business from 2nd Floor, Sterling Centre Building, Dela Rosa corner Esteban and Ormaza Streets, Legaspi Village, Makati City to Unit 5-I, 5th Floor OPL Building, 100 Carlos Palanca St., Legaspi Village, Makati City.

On January 22, 2015, the Board and the stockholders approved the amendment of the Seventh Article of Incorporation (increase of the authorized capital stock to ₱2,120,000,000 or an equivalent of ₱ 800,000,000 increase). The Company received from SEC its certificate of approval for the increase of capital stock on December 17, 2015.

At the 29 April 2016 meeting of the Board and at the 02 June 2016, at the annual stockholders' meeting, the Board and the stockholders, respectively, approved the amendment of the Seventh Article of Incorporation (Increase of the Authorized Capital Stock from Php2.120B to Php3.0B was approved. The Company's application for said increase is now under process in SEC.

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 professionals 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:

		Percentage of Ownership		
	Nature of Business	**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 ab 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.

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- 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

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- 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

<u>*Annual Improvements to PFRSs (2011-2013 cycle)*</u>
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 f 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 weather 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 and 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 an event after the reporting date. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue Recognition

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

Income Taxes

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, 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 as assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating Leases
Operating leases 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 r 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 allow 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 point 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 PRFS 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 ton Condensed Interim Financial Statements
These amendments areapplied 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 of 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 February1, 2015, The Group did not early adopt PFRS 9.

The adoption of PRFS 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 IAS 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 January1, 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 one adopted locally.

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

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

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

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

Movement in allowance for impairment losses are as follows:

	2015	2014
Balance as at January 1	**₱9,116,930**	**₱2,497,564**
Provision for the year (see Note 14)	**4,033,832**	**6,619,366**
Balance as at December 31	**₱13,150,762**	**₱9,116,930**

5. Other Current Assets

	2015	2014
Prepayments	**₱935,887**	**₱118,678**
Creditable withholding tax (net of allowance for impairment losses amounting to ₱706,270 and ₱547,503 in 2015 and	**3,129,372**	**3,375,738**

2014)		
Input VAT - net	**-**	**480,515**
Others	**112,832**	**97,189**
	₱4,178,091	**₱4,072,120**

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

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

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 vehicles under 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.

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

l. On 02 June 2016, at the annual stockholders' meeting, the amendment of the Seventh Article of Incorporation (Increase of the Authorized Capital Stock from Php2.120B to Php3.0B, conversion of Advances/Loan to Equity of a Shareholder; in the Amount of Php264M and the listing of additional shares that will be issued out of the said conversion and increase in authorized capital stock were approved.

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**	**₱–**	**₱–**	**₱2,211,771**	**₱–**	**₱–**	**On demand**	**Unsecured, no impairment**
	2014	-	–	2,211,771	–	–	On demand	Unsecured, no impairment
	Interest 2015	**–**	**156,000**	**–**	**–**	**–**	**On demand**	**Unsecured, no impairment**
	2014	_	156,000	-	–	–	On demand	Unsecured, no impairment
Softweb	**Advances 2015**	**1,389,259**	**2,163,820**	**2,380,860**	**6,390,573**	**–**	**On demand**	**Unsecured**
	2014	4,403,554	8,239,341	2,380,860	1,704,311	–	On demand	Unsecured
	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**
GHT	**Advances 2015**	**180**	**5,000,180**	**–**	–	–	**On demand**	**Unsecured, no impairment**

Related parties	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	**₱ 334,540**	₱ 308,987
Additions	**680,717**	128,612
Expirations	**(202,565)**	(103,059)
Balances at end of year	**₱ 812,692**	₱ 334,540

16. **Basic/Diluted EPS**

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

	2015	2014	2013
Net loss attributable to equity holder of the Parent (a)	**₱5,235,435**	(₱38,482,470)	(₱87,233,678)
Weighted average number of outstanding common shares for both basic and dilutive EPS (b)	**1,317,278,350**	1,317,278,350	1,317,278,350
Basic/dilutive loss per share (a/b)	**[illegible]**	[illegible]	(₱0.0662)

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

17. **Financial Instruments**

The Group's financial instruments are composed of cash, trade and other receivables, 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
Financial assets:				
Cash	**₱15,979,672**	**₱–**	**₱–**	**₱15,979,672**
Trade and other receivables	**52,921,911**	**28,866,497**	**–**	**81,788,408**
Amounts owed by related parties	**74,950,275**	**–**	**–**	**74,950,275**
	₱143,851,858	**₱28,866,497**	**₱-**	**₱172,718,355**

Financial liabilities:				
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
Financial assets:				
Cash	₱2,066,757	₱–	₱–	₱2,006,757
Trade and other receivables	32,861,441	18,941,422	–	51,802,863
Due from related parties	71,922,528	–	–	71,922,528
	₱106,790,726	₱18,941,422	₱-	₱125,732,148
Financial liabilities:				
Accounts payable and accrued expenses*	₱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.

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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 second quarter of 2016 amount to Php30.899 Million, a 16.5%decrease worth Php6.113 Million from last year's first quarter revenue of Php37.012Million. This decrease in revenue from Services Fees is due to a major shift of the company's focus from one-time contracts of IT services to the recurring revenues of Broadband Internet that have two to three year durations -- making cashflows more predictable and forecastable. Thus, the revenue from service fees in 2016 is Php29.81 Million while in 2015 is Php36.89 Million. This deficiency is expected and temporary, to be offset by new recurring monthly revenues from Broadband Internet business, which has grown to P834k monthly, ending second quarter -- creating a base for this new revenue stream for the company. With this shift of focus, the Broadband Internet business will evolve as the new core business of the company eventually.

- During the quarter, the Company was able to win 12 new enterprise clients, mostly high rise buildings, availing of the Company's innovative Broadband Internet services, which has a total revenue of Php7.56 million. These 12 clients emerged from the fiber in the air ring already completed by the Company at the center of Metro Manila, from which any building could be connected to NOW Broadband in one or two hops. The total amount of Php 7.56 million was not booked as part of the total revenues in this accounting report because the Company is still studying which part of the contract revenue would be considered as already earned upon installation of the equipment vis a vis the subscription revenues to be earned monthly. To be safe, only the earned subscription months have been booked.

- In addition, in May 2016, the Company took part in the public bidding for the Supreme Court's Installation of Judiciary Email System with an approved budget for the contract amounting to Php95 Million. The Company submitted the lowest bid among all four (4) bidders. Currently, the issuance of the certificate of award is on hold pending resolution of some issues on the technical aspect of the project. The Company is hopeful that all issues will be clarified and settled the soonest possible time so that the project can proceed without further delay.

- Operating Expenses for the second quarter of 2016 is Php40.58 Million, decreased slightly by 10.1% from last year's operating expense of Php45.13 Million. The decrease was brought about largely by the significant decrease on the cost of services, from Php32.28 Million in 2015 decreased to Php20.49 million in 2016. Though the significant decrease in cost of services, there were however some identified expenses which has increase in 2016. Entertainment, Amusement and recreation expenses increased by Php1.122 Million or 121.93%, from Php 912K in 2015 to Php2.034 million in 2016. Salaries expense also increase significantly, from Php941K in 2015 to Php3.719 million in 2016 or a 295.21% increase –due to the Company's aggressive intent to seize opportunities in the Broadband Internet market. There were some expense items that decrease due to cost efficiency measures being implemented by the company such as insurance expense and dues and subscription.

- As of June 2016, the total consolidated assets of the Company stood at Php1.524 Billion compared with last year's Php1.461 Billion or an increase by Php63 Million. Current Assets increased by Php63.17M or 46% from Php138.61M to Php201.781 Million is due to the increase in amounts owed by related parties by Php21.69 Million or 30.1%, and trade receivables increase by Php30.56 million or 51%.

- Current liabilities decrease by Php8.42 Million or 5.56% from Php151.23M in 2015 down to Php142.812 Million in 2016. This was mainly due to Accounts Payable and accrued expenses which decreased by Php15.65 Million or 12.1%, from Php129.48Million in 2015 it dropped to Php113.83 Million in 2016. Though there was an increase in due to related party account, from Php21.50 Million in 2015 increased to Php28. 96 million in 2016.

- As of June 30, 2016, the total Assets stood at Php1.524 billion, Liabilities at Php451.032Million and Equity at Php1.073 billion.

- 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. This loan has been fully paid on June 20, 2016.

Part II. Other Information

Item 1. Financial Soundness Indicators

See **Annex "A"**.

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

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

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

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

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

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

SIGNATURES

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

Issuer **MR. MEL V. VELARDE**

Signature and Title **President**

Date **15 August 2016**

Principal Financial/Accounting Officer/Controller **MR. ANDRE GIAN P. AGUIRRE**

Signature and Title **Acting Treasurer**

Date **15 August 2016**

ANNEX "A"

Schedule of Financial Indicators
For the Period June 2016 and 2015

		30-June	
		2016	2015
Liquidity	Current Ratio	1.36	0.917
Solvency	Debt to Equity Ratio	0.438	0.681
Equity	Asset to Equity Ratio	1.438	1.68
Interest	Interest Rate Coverage Ratio	-14.797	-14.622
Profitability	Profit Margin	33.65%	12.79%
	Return of Assets	-0.63%	-0.54%
	Return of Equity	-.84%	-.90%
	Book Value per share	0.7114	0.6596
	Earnings per share	-0.0064	-0.0058

The Financial Indicators are computed as follows:

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