C O V E R   S H E E T

A 1 9 9 6 0 0 1 7 9

COMPANY NAME

NOW CORPORATION

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@now-corp.com	(632) 7750-0461 / (632) 7750-0211 /	09684389521

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
69	N/A	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Angeline L. Macasaet	angeline.macasaet@now-corp.com	7750-0211	09684389521

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE

COMMISSION SEC FORM 17-Q

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

1. For the quarterly period ended **30 SEPTEMBER 2022**

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 1229

8. Issuer's telephone number, including area code **(632)7750-0211**

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

N/A

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**1,806,726,314**
PREFERRED STOCK	**60,000,000**

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

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

PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Indicate by check mark whether the registrant:

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

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

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2022 and December 31, 2021

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
ASSETS			
Current Assets			
Cash	*4*	**₱10,814,311**	₱21,014,551
Trade and other receivables	*5*	**389,542,318**	337,025,453
Contract asset		**1,370,685**	1,370,685
Due from related parties	*12*	**234,329,800**	211,230,811
Other current assets	*6*	**46,288,053**	35,772,079
Total Current Assets		**682,345,167**	606,413,579
Noncurrent Assets			
Investment and advances	*7*	**2,196,004,928**	2,195,958,904
Property and equipment - net	*8*	**15,566,985**	10,693,867
Right of use asset		**7,241,243**	5,893,024
Other noncurrent assets - net	*6*	**5,748,525**	4,978,008
Total Noncurrent Assets		**2,224,561,681**	2,217,523,803
		₱2,906,906,848	₱2,823,937,382
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*9*	**₱223,417,187**	₱176,343,008
Due to a related party	*12*	**37,626,965**	10,390,529
Current portion of long-term loans payable	*10*	**353,877,378**	129,324,978
Current portion of obligations under finance lease	*14*	**5,017,878**	3,696,096
Income tax payable	*17*	**4,276,372**	–
Total Current Liabilities		**624,215,780**	319,754,611
Noncurrent Liabilities			
Long-term loans payable - net of current portion	*10*	**12,424,904**	24,324,727
Obligations under finance lease - net of current portion	*14*	**4,044,345**	4,044,345
Retirement benefits liability	*13*	**5,002,340**	5,002,340
Deposit for future stock subscription		**89,000,000**	310,000,000
Total Noncurrent Liabilities		**110,471,589**	343,371,412
Total Liabilities		**734,687,369**	663,126,023
Equity			
Capital stock	*11*	**1,324,708,420**	1,324,708,420
Additional paid in capital	*11*	**541,569,110**	541,569,110
Equity reserve		**(1,978,794)**	(1,978,794)
Retained earnings / (Deficit)		**5,525,701**	(6,040,241)
Other comprehensive income		**306,047,916**	306,047,916
Non-controlling interest		**(3,652,874)**	(3,495,052)
Total Equity		**2,172,219,479**	2,160,811,359
		₱2,906,906,848	₱2,823,937,382

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended September 30, 2022 and December 31, 2021

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
REVENUES	*15*		
Service revenue		**₱140,541,537**	₱187,076,329
Sales of goods		**6,800,882**	9,327,650
		147,342,419	196,403,979
COSTS OF SALES AND SERVICES	16		
Cost of Services		**78,675,251**	110,294,067
Cost of sales		**2,734,525**	5,660,491
		81,409,776	115,954,558
GROSS PROFIT		**65,932,643**	80,449,421
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and wages		**16,570,036**	24,481,814
Outside services		**2,263,248**	2,857,907
Rent expense		**542,304**	290,704
Taxes and licenses		**2,882,661**	4,597,940
Professional fees		**5,885,640**	7,448,298
Utilities		**120,621**	500,347
Transportation and travel		**2,832,283**	3,360,888
Advertising and promotion		**453,262**	2,932,430
Depreciation and amortization	*8*	**3,407,646**	9,599,427
Repair and maintenance		**548,565**	294,695
Communications and subscription		**2,600,654**	1,730,132
Entertainment, amusement, and recreation		**4,206,728**	4,987,306
Supplies		**875,378**	744,845
Insurance		**148,613**	328,692
Provision on impairment loss on receivables		**2,967,027**	228,450
Others		**941,675**	3,460,374
		47,246,341	67,844,249
OTHER INCOME (EXPENSE)			
Interest expense	*10*	**(8,071,778)**	(10,083,888)
Interest income		**5,336,672**	7,122,907
Share in net income – associate	*7*	**46,024**	–
Other income		**409,498**	1,337,125
Other charges		**(601,971)**	(208,773)
		2,881,555	(1,832,629)
INCOME BEFORE INCOME TAX		**15,804,747**	10,772,543
PROVISION FOR INCOME TAX	*17*	**4,276,372**	2,826,292
NET INCOME		**₱11,528,375**	₱7,946,251
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of Parent Company		**₱11,686,196**	₱8,243,308
Non-controlling interest		**(157,821)**	(297,057)
		₱11,528,375	₱7,946,251

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	September 30, 2022 (Unaudited)	December 31,2021 (Audited)
NET INCOME	**₱11,528,375**	₱7,946,251
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be subsequently reclassified to profit or loss:		
Changes in fair value of investment in equity securities	**–**	14,589,528
Item to be subsequently reclassified to profit or loss -		
Cumulative translation adjustments	**–**	(18,730)
	–	14,570,798
TOTAL COMPREHENSIVE INCOME	**₱11,528,375**	₱22,517,049
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**₱11,686,196**	₱23,215,110
Non-controlling interest	**(157,821)**	(297,057)
	₱11,528,375	₱22,517,049

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
CAPITAL STOCK		
Common Stock		
Balance at beginning and end of year	**1,264,708,420**	1,264,708,420
Preferred Stock		
Balance at beginning and end of year	**60,000,000**	60,000,000
	1,324,708,420	1,324,708,420
ADDITIONAL PAID IN CAPITAL		
Balance at beginning and end of year	**541,569,110**	541,569,109
EQUITY RESERVE	**(1,978,794)**	(1,978,794)
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	**(6,040,241)**	(14,283,549)
Prior period adjustment	**(120,255)**	–
Net income	**11,686,197**	8,243,308
Balance at end of year	**5,525,701**	(6,040,241)
OTHER COMPREHENSIVE INCOME	**306,047,916**	306,047,916
NON-CONTROLLING INTEREST	**(3,652,874)**	(3,495,052)
TOTAL EQUITY	**₱2,172,219,479**	₱2,160,811,359

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱15,804,747**	₱10,772,543
Adjustment for:		
Interest expense	**8,071,778**	10,083,888
Depreciation and amortization	**3,407,646**	9,599,427
Interest income	**(5,336,672)**	(7,122,907)
Retirement expense	**–**	1,139,455
Share in net income of an associate	**(46,024)**	–
Provision for impairment loss on receivables	**2,967,027**	228,450
Operating income before working capital changes	**24,868,502**	24,700,856
Decrease (Increase) in:		
Trade and other receivables	**(55,604,147)**	(31,435,505)
Other current assets	**(10,515,974)**	(4,325,539)
Increase (decrease) in:		
Accounts payable and other current liabilities	**47,074,179**	5,807,928
Net cash used for operations	**5,822,560**	(5,252,260)
Income tax paid	–	2,826,292
Interest received	**17,465**	36,684
Net cash provided by (used in) operating activities	**5,840,025**	(8,041,868)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in:		
Due from related parties	**(17,779,782)**	(37,144,033)
Other noncurrent assets	**(770,517)**	(15,858)
Additions to:		
Property and equipment	**(8,141,977)**	(10,375,228)
ROU asset	**(1,487,006)**	–
Computer software	**–**	(3,026,262)
Net cash used in investing activities	**(28,179,282)**	(50,561,381)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from:		
Loan availment	**3,552,400**	57,103,200
Increase in due to related parties	**27,236,436**	34,690,624
Payment of:		
Loan and interest	**(19,971,601)**	(26,720,264)
Lease liabilities	**1,321,782**	(2,726,141)
Net cash provided by financing activities	**12,139,017**	62,347,419
NET (DECREASE) INCREASE IN CASH	**(10,200,240)**	3,744,170
CASH AT BEGINNING OF YEAR	**21,014,551**	17,270,381
CASH AT END OF YEAR	**₱10,814,311**	₱21,014,551

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30 2022 and 2021

	Unaudited	
	September 30, 2022	September 30, 2021
ASSETS		
Current Assets		
Cash	**₱10,814,311**	₱13,389,012
Trade and other receivables	**389,542,318**	317,331,659
Contract asset	**1,370,685**	1,370,685
Due from related parties	**234,329,800**	198,835,047
Other current assets	**46,288,053**	42,130,236
Total Current Assets	**682,345,167**	573,056,639
Noncurrent Assets		
Investment and advances	**2,196,004,928**	2,181,369,376
Property and equipment - net	**15,566,985**	10,586,639
Right of use asset	**7,241,243**	7,327,432
Other noncurrent assets – net	**5,748,525**	3,765,726
Total Noncurrent Assets	**2,224,561,681**	2,203,049,173
	₱2,906,906,848	₱2,776,105,812
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱223,417,187**	₱180,234,660
Due to related parties	**37,626,965**	230,432,266
Current portion of long-term loans payable	**353,877,378**	76,833,436
Current portion of finance lease obligations	**5,017,878**	10,028,652
Income tax payable	**4,276,372**	4,116,882
Total Current Liabilities	**624,215,780**	501,645,896
Noncurrent Liabilities		
Long-term loans payable - net of current portion	**12,424,904**	27,886,819
Obligations under finance lease - net of current portion	**4,044,345**	5,116,444
Retirement benefits liability	**5,002,340**	3,862,885
Deferred tax liability	**–**	634
Deposit for future stock subscription	**89,000,000**	89,000,000
Total Noncurrent Liabilities	**110,471,589**	125,866,782
Total Liabilities	**734,687,369**	627,512,678
Equity		
Capital stock	**1,324,708,420**	1,324,708,420
Additional paid in capital	**541,569,110**	541,569,110
Equity reserve	**(1,978,794)**	(1,978,794)
Retained earnings / (Deficit)	**5,525,701**	(3,241,416)
Other comprehensive income	**306,047,916**	291,000,946
Non-controlling interest	**(3,652,874)**	(3,465,132)
Total Equity	**2,172,219,479**	2,148,593,134
	₱2,906,906,848	₱2,776,105,812

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Period Ended September 30 2022 and 2021

	Unaudited	
	2022	2021
REVENUES		
Service revenue	**₱140,541,537**	₱140,583,143
Sales	**6,800,882**	9,217,525
	147,342,419	149,800,668
COSTS OF SALES AND SERVICES		
Cost of Services	**78,675,251**	75,716,917
Cost of sales	**2,734,525**	5,382,863
	81,409,776	81,099,780
GROSS PROFIT	**65,932,643**	68,700,888
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and wages	**16,570,036**	25,737,049
Outside services	**2,263,248**	1,263,362
Rent expense	**542,304**	603,825
Taxes and licenses	**2,882,661**	3,290,964
Professional fees	**5,885,640**	6,034,423
Utilities	**120,621**	137,567
Transportation and travel	**2,832,283**	2,554,438
Advertising and promotion	**453,262**	1,932,254
Depreciation and amortization	**3,407,646**	3,965,924
Repair and maintenance	**548,565**	163,386
Communications and subscription	**2,600,654**	2,534,898
Entertainment, amusement, and recreation	**4,206,728**	3,666,509
Supplies	**875,378**	784,454
Insurance	**148,613**	610,100
Provision on impairment loss on receivables	**2,967,027**	–
Others	**941,675**	1,702,624
	47,246,341	54,981,777
OTHER INCOME (EXPENSE)		
Interest expense	**(8,071,778)**	(7,444,765)
Interest income	**5,336,672**	5,340,311
Share in net income – associate	**46,024**	–
Other income	**409,498**	3,291,830
Other charges	**(601,971)**	(14,609)
	2,881,555	1,172,767
INCOME BEFORE INCOME TAX	**15,804,747**	14,891,878
PROVISION FOR INCOME TAX	**4,276,372**	4,116,882
NET INCOME	**₱11,528,375**	₱10,774,996
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of Parent Company	**₱11,686,196**	₱11,042,133
Non-controlling interest	**(157,821)**	(267,137)
	₱11,528,375	₱10,774,996

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited	
	2022	2021
NET INCOME	**₱11,528,375**	₱10,774,996
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be subsequently reclassified to profit or loss:		
Changes in fair value of investment in equity securities	**–**	–
Remeasurement loss on retirement liability	**–**	–
Item to be subsequently reclassified to profit or loss -		
Cumulative translation adjustments	**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱11,528,375**	₱10,774,996
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**₱11,686,196**	₱11,042,133
Non-controlling interest	**(157,821)**	(267,137)
	₱11,528,375	₱10,774,996

See accompanying Notes to Consolidated Financial Statements.

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
As at September 30, 2022 and 2021

	Unaudited	
	2022	2021
CAPITAL STOCK		
Common Stock		
Balance at beginning and end of year	**1,264,708,420**	1,264,708,420
Preferred Stock		
Balance at beginning and end of year	**60,000,000**	60,000,000
	1,324,708,420	1,324,708,420
ADDITIONAL PAID IN CAPITAL		
Balance at beginning and end of year	**541,569,110**	541,569,110
EQUITY RESERVE	**(1,978,794)**	(1,978,794)
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	**(6,040,241)**	(14,283,549)
Prior period adjustment	**(120,255)**	–
Net income	**11,686,197**	11,042,133
Balance at end of year	**5,525,701**	(3,241,416)
OTHER COMPREHENSIVE INCOME	**306,047,916**	291,000,946
NON-CONTROLLING INTEREST	**(3,652,874)**	(3,465,132)
TOTAL EQUITY	**₱2,172,219,479**	₱2,148,593,134

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
As At September 30, 2022 and 2021

	(Unaudited)	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱15,804,747**	₱14,891,878
Adjustment for:		
Interest expense	**8,071,778**	7,444,765
Depreciation and amortization	**3,407,646**	3,965,924
Interest income	**(5,336,672)**	(5,340,311)
Share in net income of an associate	**(46,024)**	–
Provision for impairment loss on receivables	**2,967,027**	–
Operating income before working capital changes	**24,868,502**	20,962,256
Decrease (Increase) in:		
Trade and other receivables	**(55,604,147)**	(11,513,261)
Other current assets	**(10,515,974)**	(10,694,121)
Increase (decrease) in:		
Accounts payable and other current liabilities	**47,074,179**	16,303,981
Net cash used for operations	**5,822,560**	15,058,855
Income tax paid	–	(4,116,882)
Interest received	**17,465**	5,340,311
Net cash provided by operating activities	**5,840,025**	16,282,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in:		
Due from related parties	**(17,779,782)**	(31,834,492)
Other noncurrent assets	**(770,517)**	(241,587)
Additions to:		
Property and equipment	**(8,141,977)**	(5,572,785)
ROU asset	**(1,487,006)**	–
Net cash used in investing activities	**(28,179,282)**	(37,648,864)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from:		
Loan availment	**3,552,400**	50,000,000
Increase in due to related parties	**27,236,436**	33,732,361
Payment of:		
Loan and interest	**(19,971,601)**	(66,247,150)
Lease liabilities	**1,321,782**	–
Net cash provided by financing activities	**12,139,017**	17,485,211
NET DECREASE IN CASH	**(10,200,240)**	(3,881,369)
CASH AT BEGINNING OF YEAR	**21,014,551**	17,270,381
CASH AT END OF YEAR	**₱10,814,311**	₱13,389,012

NOW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Period July - September 30

	Unaudited	
	2022	2021
REVENUES		
Service revenue	**₱47,343,193**	₱46,821,960
Sales	**6,960**	711,140
	47,350,153	47,533,100
COSTS OF SALES AND SERVICES		
Cost of services	**21,989,666**	24,685,843
Cost of sales	**6,196**	653,686
	21,995,862	25,339,529
GROSS PROFIT	**25,354,291**	22,193,571
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and wages	**5,615,973**	6,727,709
Outside services	**869,717**	273,553
Rent expense	**113,793**	205,620
Taxes and licenses	**1,120,994**	953,226
Professional fees	**2,292,672**	1,880,618
Utilities	**43,142**	47,991
Transportation and travel	**376,002**	721,619
Advertising and promotion	**134,497**	702,044
Depreciation and amortization	**1,291,269**	1,176,865
Repair and maintenance	**46,044**	31,736
Communications and subscription	**112,914**	288,127
Entertainment, amusement, and recreation	**1,014,474**	1,190,826
Supplies	**209,590**	146,957
Insurance	**51,485**	119,315
Provision on impairment loss on receivables	**758,111**	–
Others	**305,496**	409,950
	14,356,173	14,876,156
OTHER INCOME (EXPENSE)		
Interest expense	**(2,990,487)**	(2,392,978)
Interest income	**1,778,641**	1,778,754
Share in net loss – associate	**(314,992)**	–
Other income	**138,220**	2,604,914
Other charges	**(14,298)**	(13,799)
	1,402,916	1,976,891
INCOME BEFORE INCOME TAX	**9,595,202**	9,294,306
PROVISION FOR INCOME TAX	**2,491,096**	2,323,577
NET INCOME	**₱7,104,106**	₱6,970,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

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

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

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

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

On December 21, 2016, the Parent Company's Board of Directors (BOD) approved the filing of the Registration Statement, Listing Application and the terms and conditions and such other relevant acts in connection with the intended public offering of the Parent Company's preferred shares.

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

The Parent Company has the following subsidiaries:

Company Name	Nature of Business	Percentage of Effective Ownership		
		2022	2021	2020
J-Span IT Services, Inc. (JSIT)	Service	**100**	100	100
Porteon SEA, Inc. (Porteon)	Manufacturing	**100**	100	100
I-Resource Consulting International, Inc. (I-Resource)	Service	**100**	100	100
I-Professional Search Network, Inc. (I-Professional)	Service	**75**	75	75
Softrigger Interactive, Inc. (Softrigger)	Service	**67**	67	67

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

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

Certificates and Agreements

On November 27, 2015, the National Telecommunications Commission (NTC) issued a Certificate of Registration (CoR) to the Parent Company that will authorize it as a value-added services (VAS) provider for services such as cloud hosting services, virtual private network, multimedia content and program services, online game services, cloud-based multimedia conferencing services, web hosting and cloud-based mail and messaging services. The CoR, which expired on November 26, 2020, was renewed for another five (5) years, or until November 26, 2025.

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

2. Basis of Preparation

Basis of Preparation

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

Measurement Basis

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

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

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

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

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

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

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

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

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

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

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

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

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

Amended PFRS Issued But Not Yet Effective
Relevant amended PFRS, have not been yet applied in preparing the consolidated financial statements, are summarized below.

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

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

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

Annual Improvements to PFRS 2018 to 2020 Cycle:

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

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

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

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

Deferred effectivity -

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

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

Basis of Consolidation

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

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

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangement; and
- The Parent Company's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

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

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

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

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

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

In 2017, VI entered into a subscription agreement with I-Professional for the subscription of 6,750 common shares of the latter, representing 25% interest, thereby reducing the ownership of the Parent Company in I-Professional from 100% to 75%. This resulted to an equity reserve amounting to ₱2.0 million in 2017.

<u>Financial Assets and Liabilities</u>

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

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

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

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

As at September 30, 2022 and December 31, 2021, the Group does not have financial assets and liabilities at FVPL.

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

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

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

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

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

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

Investment in equity securities are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

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

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

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

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

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

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

For trade receivables and contract assets, the Group has applied the simplified approach in measuring ECL. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For other financial assets at amortized cost, which mainly comprise of cash in banks, due from related parties and security deposits, the Group applies the general approach in measuring the ECL. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition.

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

<u>Contract Balances</u>

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

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

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

CWT. CWT represents the amount withheld by the Company's customer in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

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

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

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

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

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

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

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

Investment in an Associate
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

The Group determines at the end of each reporting date whether there is any objective evidence that investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and its recoverable amount and recognized in profit or loss.

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

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

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

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

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

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

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

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

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

Computer Software

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

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

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

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

Impairment of Nonfinancial Assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After the reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Output VAT

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

Deposits for Stock Subscription

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

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

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

Equity

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

Other Sources of Revenue

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

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

Cost and Expense Recognition

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

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

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

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate after considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

Related Parties

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

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

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

Operating Segments

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

The Group's identified operating segments are consistent with the segments reported to the BOD, which is the Group's chief operating decision maker. Financial information on the operating segments are presented in Note 22.

Foreign Currency Translations

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

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

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

Provisions and Contingencies

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

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

Events After the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

Judgments

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

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

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

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

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

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

   The Group concluded that revenue from broadband services, management services and manpower augmentation services are to be recognized over time, since the customers simultaneously receive and consume the benefits as the Group provides the services. Other revenue sources are recognized at a point in time.

3. Identification of the Methods for Measuring Progress of Revenue Recognized Over Time. The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

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

Establishment of Control over Subsidiaries. The Group determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following factors are also considered:

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

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

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

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

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

The carrying amounts of the Group's ROU asset and lease liability as at September 30, 2022 and December 31, 2021 are as follows:

	Note	**September 30, 2022**	December 31, 2021
ROU assets	14	**₱5,893,024**	₱5,893,024
Lease liabilities	14	**9,062,223**	7,740,441

Rent expense on short-term leases amounted to ₱5.9 million and ₱4.5 million as at September 30, 2022 and December 31, 2021, respectively (see Note 14).

<u>Estimates and Assumptions</u>

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

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

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

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

The Group recognized provision for impairment on trade and other receivables amounting to ₱2.9 million and ₱0.2 million as at September 30, 2022 and December 31, 2021, respectively.

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

	Note	**September 30, 2022**	December 31,2021
Cash in banks	4	**₱10,686,969**	₱20,912,209
Trade and other receivables (excluding advances to officers and employees)	5	**384,555,068**	332,180,707
Contract assets	15	**1,370,685**	1,370,685
Due from related parties	12	**234,329,800**	211,230,811
Security deposits (included as part of "Other noncurrent assets")	6	**1,552,382**	1,058,618

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

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

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

No write-down for inventory losses was recognized as at September 30, 2022 and December 31, 2021. Inventories at cost amounted to ₱9.6 million and ₱7.0 million as at September 30, 2022 and December 31, 2021, respectively.

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

There were no changes in the useful lives of the Group's property and equipment, ROU assets and computer software as at September 30, 2022 and December 31, 2021.

Depreciation and amortization aggregated ₱3.4 million and ₱9.6 million for the period ended September 30, 2022 and December 31, 2021, respectively. The carrying amounts of property and equipment, ROU assets and computer software aggregated ₱26.8 million and ₱20.3 million as at September 30, 2022 and December 31, 2021, respectively.

Assessment for the Impairment of Nonfinancial Assets. The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

Management has assessed that there are no indications of impairment on the nonfinancial assets for September 30, 2022 and December 31, 2021.

The carrying amounts of the nonfinancial assets are as follows:

	Note	**September 30, 2022**	December 31, 2021
Other current assets (excluding inventories)	6	**₱36,689,685**	₱28,692,800
Investments in Associates	7	**2,196,004,928**	-
Property and equipment	8	**15,566,985**	10,693,867
ROU assets	14	**7,241,243**	5,893,024
Other noncurrent assets (excluding security deposits)	6	**4,196,143**	3,919,390

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

Retirement expense amounted to nil and ₱1.0 million for the period ended September 30, 2022 and December 31 2021, respectively. The retirement liability amounted to ₱5.0 million as at September 30, 2022 and December 31, 2021.

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

The Group did not recognize deferred tax assets amounting to ₱11.3 million and ₱13.4 million as at September 30, 2022 and December 31, 2021, respectively. The Group has assessed that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

4. Cash

This account consists of:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	**₱127,342**	₱102,342
Cash in banks	**10,686,969**	20,912,209
	₱10,814,311	₱21,014,551

Cash in banks earn interest at the prevailing bank deposit rates.

As at September 30, 2022 and 2021, Cash amounted to ₱10.8 million and ₱13.4 million, respectively.

5. Trade and Other Receivables

This account consists of:

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Trade			
Related parties	12	**₱313,975,120**	₱285,717,985
Third parties		**113,864,037**	86,779,784
Advances to officers and employees		**4,987,250**	4,844,746
		432,826,407	377,342,515
Less: Allowance for impairment loss		**(43,284,089)**	(40,317,062)
		₱389,542,318	₱337,025,453

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

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

Movements in allowance for impairment loss are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period	**₱40,317,062**	₱40,088,612
Provision	**2,967,027**	228,450
Balance at end of the period	**₱43,284,089**	₱40,317,062

Trade and other receivables totaled ₱389.5 million and ₱317.3 million as at September 30, 2022 and 2021, respectively.

6. Other Assets

Other Current Assets

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
CWT	**₱21,434,757**	₱19,021,976
Prepayments	**7,985,214**	6,647,485
Inventories	**9,598,368**	7,079,279
Input VAT	**1,639,977**	1,602,267
Deferred input VAT	**4,856,283**	553,616
Others	**773,454**	867,456
	₱46,288,053	₱35,772,079

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

Inventories, pertaining to telecommunication tools and supplies, are measured at cost. Cost of inventories charged to cost of sales and services amounted to ₱0.1 million and ₱3.8 million for the period ended September 30, 2022 and December 31, 2021, respectively.

Other current assets totaled ₱46.3 million and ₱42.1 million as at September 30, 2022 and 2021, respectively.

Other Noncurrent Assets

This account consists of:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Computer software	**₱4,026,179**	₱3,749,426
Security deposits	**1,552,382**	1,058,618
Trademarks	**75,210**	75,210
Others	**94,754**	94,754
	₱5,748,525	₱4,978,008

Movements in the computer software are as follows:

	Note	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Cost			
Balance at beginning of the period	14	**₱8,017,672**	₱4,991,410
Additions		**276,753**	3,026,262
Balance at end of period		**8,294,425**	8,017,672
Accumulated Amortization			
Balance at beginning of the period		**4,268,246**	2,685,524
Amortization		**–**	1,582,722
Balance at end of the period		**4,268,246**	4,268,246
Carrying Amount		**₱4,026,179**	₱3,749,426

Other noncurrent assets totaled ₱5.7 million and ₱3.8 million as at September 30, 2022 and 2021, respectively.

7. Investments and Advances

This account consists of:

	Percentage of Ownership	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Investment in Associates			
Now Telecom Company Inc.	24.23%	**₱2,195,958,904**	₱–
Softweb Consulting Inc..	50%	**6,000,000**	6,000,000
		2,201,958,904	6,000,000
Accumulated equity in net earnings (loss)			
Now Telecom Company Inc.		**46,024**	–
Softweb Consulting Inc..		**(6,000,000)**	(6,000,000)
		(5,953,976)	(6,000,000)
Balance at end of year		**2,196,004,928**	–
Investment in Equity Securities at FVOCI			
Now Telecom Company Inc.	19%	**–**	1,595,958,904
Advances for investment		**–**	600,000,000
		₱2,196,004,928	₱2,195,958,904

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

The Group's share in the losses of Softweb has already exceeded the cost of its investment. Accordingly, the carrying amount of the investment in Softweb as at September 30, 2022 and December 31, 2021 is nil. The unrecognized cumulative share in net loss amounted to ₱7.1 million as at December 31, 2021 and 2020. The Group does not have any legal or constructive obligation to make payments on behalf of Softweb.

The Group also has advances amounting to ₱5.0 million pertaining to a deposit for stock subscription. This amount was already fully provided with allowance for impairment loss as at September 30, 2022 and December 31, 2021 (see Note 12).

On May 3, 2021, NOW TEL's BOD and stockholders approved to increase its authorized capital stock from 14,597,489 shares at ₱100 par value a share to 19,041,925 shares at ₱100 par value a share. Of the increase, 4,444,436 shares at 25% or 1,111,109 shares have been subscribed and fully paid for by subscribing shareholders. Moreover, on June 24, 2021, the Parent Company's stockholders approved to apply its advances for investments of ₱600.0 million against additional subscription of 1,000,000 shares of NOW TEL's increase at a conversion price of ₱600 a share. On April 20, 2022, the Securities and Exchange Commission (SEC) approved the application of NOW Tel for an increase in its authorized capital stock and the quasi-reorganization of its equity. Through this approval, the Parent effectively increased its direct ownership in NOW Tel from 19% to 24.23%.

On June 6, 2019, the Parent Company's stockholders approved to increase its equity share in NOW TEL up to 30% by way of a share swap transaction between the Parent Company and NOW TEL's stockholders, and delegated the finalization of the share swap price and other terms to the Parent Company's BOD. As at May 10, 2022, the details and other terms of the share swap are not yet finalized

On February 22, 2018, NOW TEL secured an extension of its congressional franchise for a period of 25 years or until 2043 under Republic Act No. 10972. The franchise allows NOW TEL to operate mobile radio systems such as paging systems, cellular phone systems, personal communication network and any other similar systems in or outside the country. On September 14, 2020, NOW TEL's provisional authority to operate a mobile telecommunication system was extended until September 2023.

Valuation using Discounted Cash Flow Method

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

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

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

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

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

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

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

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period	**₱306,680,554**	₱292,091,026
Unrealized gain on far value changes	**–**	14,589,528
Balance at end of the period	**₱306,680,554**	₱306,680,554

Legal Contingencies of NOW TEL

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

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

8. Property and Equipment

Movement in this account are as follows:

	Office and IT Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Year ended December 31, 2021 (Audited)					
Cost					
At January 1, 2021	₱36,040,160	₱20,520,008	₱1,502,081	₱4,937,446	62,999,695
Additions	1,899,031	8,376,253	99,944	–	10,375,228
At December 31, 2021	37,939,191	28,896,261	1,602,025	4,937,446	73,374,923
Accumulated Depreciation and Amortization					
At January 1, 2021	33,558,644	17,832,370	1,332,167	4,937,446	57,660,627
Depreciation and amortization	2,547,836	2,450,968	21,625	–	5,020,429
At December 31, 2021	36,106,480	20,283,338	1,353,792	4,937,446	62,681,056
Carrying Amount – December 31, 2021	₱1,832,711	₱8,612,923	₱248,233	₱–	₱10,693,867
Period ended September 30, 2022 (Unaudited)					
Cost					
At January 1, 2022	**₱37,939,191**	**₱28,896,261**	**₱1,602,025**	**₱4,937,446**	**₱73,374,923**
Additions	**178,139**	**7,383,929**	**579,911**	**–**	**8,141,977**
At September 30, 2022	**38,117,330**	**36,280,190**	**2,181,936**	**4,937,446**	**81,516,900**
Accumulated Depreciation and Amortization					
At January 1, 2022	**36,106,480**	**20,283,338**	**1,353,792**	**4,937,446**	**62,681,056**
Depreciation and amortization	**1,202,645**	**2,048,746**	**17,468**	**–**	**3,268,859**
At September 30, 2022	**37,309,125**	**22,332,084**	**1,371,259**	**4,937,446**	**65,949,915**
Carrying Amount – September 30, 2022	**₱808,205**	**₱13,948,105**	**₱810,676**	**₱–**	**₱15,566,985**

Transportation equipment with carrying amount of ₱13.9 million and ₱8.6 million as at September 30, 2022 and December 31, 2021, respectively, is held as collateral for the Rizal Commercial Banking Corporation. (RCBC) Loan (see Note 10).

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

	Note	**September 30,2022 (Unaudited)**	December 31, 2021 (Audited)
Property and equipment		**₱3,268,859**	₱5,020,429
ROU assets	14	**138,787**	2,996,276
Computer software	*6*	**–**	1,582,722
		₱3,407,646	₱9,599,427

9. Trade and Other Payables

This account consists of:

	Note	**September 30,2022 (Unaudited)**	December 31, 2021 (Audited)
Trade			
Third parties		**₱33,400,155**	₱22,640,578
Related parties	12	**47,779,869**	17,627,854
Accrued expenses			
Interest	12	**59,903,586**	59,903,586
Others		**34,125,454**	29,887,270
Deferred output VAT		**46,751,653**	43,054,216
Statutory payables		**1,456,470**	3,213,201
Others		**–**	16,303
		₱223,417,187	₱173,343,008

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

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

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

10. Short and Long Term Loans Payable

This account consists of:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Short term loans	**₱353,877,378**	₱112,000,000
Long term loans	**12,424,904**	41,649,705
	₱366,302,282	₱153,649,705

<u>Short term Loans</u>
Short term loans consist of:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Land Bank of the Philippines (Land Bank)	**₱50,000,000**	₱50,000,000
Union bank of the Philippines (UnionBank)	**50,000,000**	50,000,000
Producers Savings Bank Corporation (PSBC)	**26,038,111**	–
Rizal Commercial Banking Corporation (RCBC)	**6,839,267**	–
Velarde Inc.	**221,000,000**	–
Third party	**–**	12,000,000
	₱353,877,378	₱112,000,000

Land Bank Loan
The Parent Company availed of a short-term loans aggregating ₱50.0 million with Land Bank. The loans carry annual interest rates ranging from 6.50% in 2021, 6.50% to 9.75% in 2020 and have maturity dates ranging between three (3) months and six (6) months. The loan was fully paid on January 15, 2021.

On February 10, 2021, the Parent Company secured another set of short-term loans totaling ₱50.0 million with interest rate of 6.50% per annum and six months term. The loan was subsequent renewed at the same interest rate for another six months or until February 2022.

UnionBank Loan
The Parent Company has renewed the short-term loan amounting to ₱50.0 million with UnionBank. The loan carries an annual interest rate of 4.50% and will mature on September 30, 2023.

Loan from Velarde, Inc
On 24 May 2022, the Board of Directors of the Parent Company in its special meeting unanimously approved to reverse its approval on 01 July 2021 on the conversion into equity of the P221,000,000.00 advances from Velarde, Inc.. The Board likewise approved the conversion of said advances into an interest-bearing loan, effective 24 May 2022, with a term of one (1) year, renewable upon mutual agreement of the parties, with interest based on prevailing market rates.

Loans from a Third Party
In 2019, the Parent Company availed loans aggregating ₱14.0 million from a third party, mainly to fund its working capital requirements. The loans have a term of six (6) months and carry an interest rate of 8.00% per annum. The Parent Company paid ₱2.0 million in 2020. The maturities of the loans amounting to ₱2.0 million and ₱10.0 million were further extended up to February and March 2022, respectively.

Long-term Loans
Long-term loans consist of:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
PSBC	**₱7,434,324**	₱35,372,258
RCBC	**4,990,580**	6,277,447
	₱12,424,904	₱41,649,705

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

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

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

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Short term loans	**₱4,843,632**	₱4,792,639
Long term loans	**3,228,145**	4,951,490
Lease liabilities	**–**	339,759
	₱8,071,778	₱10,083,888

11. Capital Stock and Additional Paid in Capital

Common Stock

Movement in this common stock as at September 30, 2022 and December 31, 2021 are presented below:

	Number of Shares	Amount
Year ended December 31, 2021 (Audited)		
Authorized		
At December 31, 2021	2,060,000,000	₱1,442,000,000
Issued and Outstanding		
At December 31, 2021	1,806,726,314	₱1,264,708,420
Period ended September 30, 2022 (Unaudited)		
Authorized as at September 30, 2022	**2,060,000,000**	**₱1,442,000,000**
Issued and Outstanding		
At September 30, 2022	**1,806,726,314**	**₱1,264,708,420**

Debt-to-Equity Conversion and Additional Issuances

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

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

On July 28, 2020, the Parent Company's BOD approved another set of conversion of advances from VI amounting to ₱89.0 million into equity at a conversion price of ₱2.18 a share and was approved by the Parent Company's stockholders on June 24, 2021. This has yet to be filed with the SEC as at end of the covered period. (see Note 12).

On August 24, 2020, the Parent Company's BOD approved the subscription of VI of 102,000,000 common shares at ₱2.25 a share, equivalent to ₱229.5 million. The excess resulting from the issuance amounting to ₱158.1 million was classified as APIC. This has been ratified by the parent's stockholder on June 24, 2021.

At the Special Meeting held on 01 July 2021, the Board of Directors of NOW Corporation unanimously approved, confirmed, and ratified the offer of an existing shareholder, Velarde, Inc., to convert its advances into equity in the amount of Two Hundred Twenty One Million Pesos (Php221,000,000.00) with the conversion price computed based on the Volume Weighted Average Price (VWAP) of the 30-day trading period ending 24 June 2021 or at Php2.38 per share, and the listing with the Philippine Stock Exchange of additional 92,857,142 common shares resulting from the said conversion. On 24 May 2022, the Board of Directors of NOW Corporation in its special meeting unanimously approved to reverse its approval on 01 July 2021 on the conversion into equity of the Php221,000,000 advances from Velarde, Inc.. The Board likewise approved the conversion of said advances into an interest-bearing loan, effective 24 May 2022, with a term of one (1) year, renewable upon mutual agreement of the parties, with interest based on prevailing market rates.

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

Increase in Authorized Capital Stock
On October 23, 2020, the Parent Company's BOD approved to increase the Parent Company's authorized capital stock from a total of ₱1,502.0 million (common stock and preferred stock) to ₱1,858.0 million. On June 24, 2021, the Parent Company's stockholders have approved the planned increase. This has yet to be filed with the SEC as at reporting date.

Preferred Stock
Movements in preferred stock are presented below:

	Number of Shares	Amount
Year ended December 31, 2021 (Audited)		
Authorized		
At December 31, 2021	60,000,000	₱60,000,000
Issued and Outstanding		
At December 31, 2021	60,000,000	₱60,000,000
Period ended September 30, 2022 (Unaudited)		
At January 1, 2022	**60,000,000**	**₱60,000,000**
Additional	**–**	**–**
Authorized as at September 30, 2022	**60,000,000**	**₱60,000,000**
Issued and Outstanding		
At September 30, 2022	**60,000,000**	**₱60,000,000**

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

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

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

On August 24, 2020, the Parent Company's stockholders approved the subscription of VI to 60,000,000 redeemable, convertible, cumulative, non-participating and non-voting Peso-denominated preferred shares at a subscription price of ₱1.00 a share. No APIC was recognized on the issuance. The preferred shares issued to VI may be converted to common shares at 1:1 ratio at any time from the first anniversary after the issue date of the preferred shares until the 5th anniversary after the issue date. The preferred shares also have one (1) free detachable warrant for every preferred share which are exercisable after the 2nd anniversary common shares at a conversion price of ₱2.25 per common share. On June 24, 2021, the parent's stockholders have ratified the subscription.

APIC

Movements in APIC are presented below:

	September 30,2022 (Unaudited)	December 30, 2021 (Audited)
Balance at beginning and end of the period	**₱541,569,109**	₱541,569,109

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

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

12. Related Party Transactions

The following table provides the summary of outstanding balance as at September 30, 2022 and December 31, 2021 transactions that have been entered with related parties.

	Nature of Transaction	**September 30,2022 (Unaudited)**	December 31, 2021 (Audited)
Trade and other receivables			
Stockholders	Management fees	**₱2,977,200**	₱4,682,492
Entities under common control	Infrastructure build-up services	**310,860,646**	280,928,618
	Management fees	**137,274**	106,875
		₱313,975,120	285,717,985
Due from related parties			
Stockholders	Advances	**₱124,670,145**	₱119,895,587
	Interest	**25,803,762**	22,257,624
Entities under common control	Advances	**83,855,892**	69,077,600
		₱234,329,800	211,230,811

	Nature of Transaction	**September 30,2022 (Unaudited)**	December 31, 2021 (Audited)
Accounts payable and other current liabilities			
Stockholders	Management fees	**₱59,903,586**	₱59,903,586
Entities under common control	Outside services	**7,442,008**	6,480,236
	Advances	**40,337,861**	11,147,618
		₱107,683,455	77,531,440
Due to related parties			
Stockholders	Advances	**₱33,555,913**	₱6,511,867
	Loans Payable	**221,000,000**	
	Leases	**2,896,778**	2,896,778
Entities under common control	Advances	**339,396**	339,606
	Services	**605,212**	605,212
	Leases	**229,666**	37,066
		₱258,626,965	10,390,529

<u>Trade and Other Receivables</u>

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

b. *Technical Services.* Part of the service agreements discussed above is to provide technical consultancy services for a period of ten (10) years with a monthly fee of ₱50,000 each for NOW Cable and NewsNet. The parties mutually agreed to defer this arrangement since no technical services related to the project was provided to NOW Cable and NewsNet as at September 30, 2022, and December 31, 2021.

c. *Management Services.* The Parent Company entered into a contract with the Asian Institute of Journalism and Communication (AIJC) to provide management services beginning January 1, 2018 to December 31, 2020 for a monthly fee. The contract was renewed for another five years or from January 2021 until December 31, 2025

   The Parent Company also entered into a contract with NOW TEL to provide day-to-day management services beginning January 1, 2016, to January 1, 2022.

   The Parent Company also charges VI of management fees for performing accounting and administrative functions of VI.

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

Due from Related Parties

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

b. The Group has advances to Softweb amounting to ₱5.0 million which pertains to a deposit for stock subscription. This amount was already fully provided with allowance for impairment loss as at September 30, 2022 and December 31, 2021 (see Note 7).

c. The Group has other advances to stockholders and related parties for working capital purposes. These are unsecured, noninterest-bearing and do not have definite repayment terms

Trade and Other Payables

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

b. On January 3, 2017, the Parent Company renewed its service agreement with Knowledge Professionals Service Cooperative (KPSC) for a period of five (5) years beginning January 13, 2017 to January 2, 2022. Under the service agreement, KPSC shall provide consultancy and manpower services depending on the services specifically required by the Group.

Due to Related Parties

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

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

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

   On 24 May 2022, the Board of Directors of NOW Corporation in its special meeting unanimously approved to reverse its approval on 01 July 2021 on the conversion into equity of the P221,000,000 advances from Velarde, Inc.. The Board likewise approved the conversion of said advances into an interest-bearing loan, effective 24 May 2022, with a term of one (1) year, renewable upon mutual agreement of the parties, with interest based on prevailing market rates.

   Outstanding accrued interest amounting to ₱59.9 million as at September 30, 2022 and December 31, 2021 were recorded as part of "Accounts payable and other current liabilities" account in the consolidated statements of financial position (see Note 9).

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

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

Terms and Conditions of Transactions with Related Parties

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

Compensation of Key Management Personnel

Compensation of key management personnel presented as part of "Salaries and employee benefits" under "Operating expenses" account in the consolidated statements of income, that consists of short-term employee benefits amounting to ₱12.1 million and ₱10.2 million in 2021, and 2020, respectively.

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

On July 3, 2020, the Parent Company's BOD approved the planned stock grant to the eligible members of the key management personnel based on the number of years of service. This plan is yet to be approved by the Parent Company's stockholders as of report date.

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

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

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

13. Retirement Benefits Liability

The Group has an unfunded, non-contributory defined benefit plan covering substantially all of its qualified employees. The Group's actual valuation is performed every year-end. There is no significant change in the fair value of plans asset from December 31, 2021 to June 30, 2022. Based on the latest actuarial valuation, the actual present value of accrued (prepaid) benefit cost as at June 30, 2022 and December 31, 2021 and the retirement expense presented as part of "Salaries and employee benefits" under "General and administrative expenses" account in the consolidated statements of income for the period ended September 30, 2022 and December 31, 2021 are as follows:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Present value of defined benefit obligation at beginning of year	**₱5,002,340**	₱3,862,885
Actuarial loss/(gain)		
Current service cost	**–**	955,636
Interest cost	**–**	183,819
Remeasurement loss	**–**	–
Present value of defined benefit obligation at end of year	**₱5,002,340**	₱5,002,340

	September 30,2022 (Unaudited)	December 31, 2021 (Unaudited)
Current service cost	**₱–**	₱955,636
Interest cost	**–**	183,819
Retirement expense	**₱–**	₱1,139,455

The cumulative remeasurement losses recognized in OCI amounted to ₱1.8 million as at December 31, 2021.

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

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

	Change in assumption	Effects on retirement liability
Discount rate	+1%	(₱295,961)
	-1%	350,478
Salary increase rate	+1	₱342,723
	-1	(301,228)

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

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

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

The average duration of the defined benefit liability is from 16 to 18 years for the year ended December 31, 2021.

14. Lease Commitments

Long-term Leases

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

The Group recognized ROU assets and lease liabilities for its lease agreements on office spaces and roof decks.

Movements in ROU assets as at September 30, 2022 and December 31, 2021 are as follows:

	Note	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Cost			
Balance at beginning of the period		**₱13,702,270**	₱12,140,402
Additions		**1,487,006**	1,561,868
Balance at end of the period		**15,189,276**	13,702,270
Accumulated Amortization			
Balance at beginning of the period		**7,809,246**	4,812,970
Amortization	8	**138,787**	2,996,276
Balance at end of the period		**7,948,033**	7,809,246
Carrying Amount		**₱7,241,243**	₱5,893,024

Movements in lease liabilities as at September 30, 2022 and December 31, 2021 are as follows:

	Note	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Cost			
Balance at beginning of the period		**₱7,440,441**	₱8,564,955
Additions		**1,321,782**	1,561,868
Rental payments		**–**	(2,726,141)
Interest	10	**–**	339,759
Balance at end of the period		**₱9,062,223**	₱7,440,441
Current portion		**₱5,017,878**	₱3,696,096
Noncurrent portion		**₱4,044,345**	₱4,044,345

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

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

Rent expense arising from short-term leases amounted to ₱5.9 million and ₱4.5 million as at September 30, 2022 and December 31, 2021, respectively. Security deposit amounted to ₱1.6 million and ₱1.1 million as at September 30, 2022 and December 31, 2021, respectively (see Note 6).

The amounts recognized in profit or loss are as follows:

	Note	**September 30,2022 (Unaudited)**	December 31, 2021 (Unaudited)
Rent expense:			
Cost of sales and services	16	**₱5,329,124**	₱4,213,961
Operating expenses	17	**542,304**	290,704
Amortization of ROU assets	8	**138,787**	2,996,276
Interest expense on lease liabilities	*10*	**–**	339,759
		₱6,010,215	₱7,840,700

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

	2021	2020
On demand	**₱744,944**	₱744,944
Within one year	**2,470,381**	3,031,641
After 1 year but not more than 5 years	**3,399,788**	5,085,299
	₱6,615,113	₱8,861,884

15. Revenue

Disaggregation of the Group's revenue from contracts with customers as at September 30, 2022, and December 31, 2021 are presented below:

			September 30, 2022 (Unaudited)
	Service fees	**Sale of goods**	**Total**
Management and other services	**₱64,897,598**	**₱–**	**₱64,897,598**
Broadband services	**66,280,000**	**–**	**66,280,000**
Sale and/or installation of software licenses	**–**	**6,823,682**	**6,823,682**
Manpower augmentation	**9,341,138**	**–**	**9,341,138**
	₱140,518,737	**₱6,823,682**	**₱147,342,419**

	December 31, 2021 (Audited)		
	Service fees	Sale of goods	Total
Management and other services	₱89,240,000	₱–	₱89,240,000
Broadband services	85,000,638	–	85,000,638
Sale and/or installation of software licenses	–	9,327,650	9,327,650
Manpower augmentation	12,835,691	–	12,835,691
	₱187,076,329	₱9,327,650	₱196,403,979

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

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

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

Contract Assets

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

Contract assets amounted to ₱1,370,685 as at September 30, 2022 and December 31, 2021.

No ECL was recognized on the contract assets as at September 30, 2022 and December 31, 2021.

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

16. Cost of Sales and Services

The following table shows the breakdown of our consolidated expenses for the period ended September 30, 2022, and December 31, 2021:

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cost of VAS and other service agreement	12	**₱50,412,015**	₱62,453,249
Salaries and employee benefits		**18,796,948**	34,529,791
Rent expense	14	**5,329,123**	4,213,961
Cost of software licenses		**2,734,525**	5,660,491
Installation and other costs		**4,137,165**	7,904,919
Outside services	12	**–**	1,192,147
		₱81,409,776	₱115,954,558

17. Income Taxes

Provision for income tax for the period ended September 30, 2022, and December 31, 2021 consist of the following:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
RCIT	**₱3,884,065**	₱3,342,261
MCIT	**392,307**	1,991
Effect of change in tax rate	**–**	(517,326)
	₱4,276,372	₱2,826,926

The reconciliation between provision for income tax at the applicable statutory tax rate and the actual provision for income tax for the period ended September 30, 2022 and December 31, 2021 are as follows:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Provision for income tax at the applicable statutory tax rate	**₱3,805,317**	₱2,730,207
Effect of change in tax rate	**–**	1,858,699
Change in unrecognized deferred tax asset	**392,307**	(1,814,574)
Tax effect of:		
Nondeductible expenses	**–**	(156)
Equity in net income of an associate	**78,748**	
Interest income subjected to final tax	**–**	(7,460)
Nondeductible interest expense	**–**	1,862
Expired NOLCO and MCIT	**–**	57,714
	₱4,276,372	₱2,826,292

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

Details of excess of MCIT over RCIT are as follows:

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

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE” Bill), which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based. was approved into law by the President of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

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

18. Basic Diluted/EPS

Basic EPS attributable to the equity holders of the Parent Company for the period ended September 30, 2022, and December 31, 2021, were computed as follows:

	September 30,2022 (Unaudited)	December 31, 2021 (Audited)
Net income shown in the Consolidated statement of income (a)	**₱11,425,956**	₱8,787,437
Weighted average number of common shares (b)	**1,806,726,314**	1,806,726,314
Effect of dilution from conversion option and warrants	**60,000,000**	60,000,000
Weighted average number of common shares adjusted for the effect of dilution (c)	**1,866,726,314**	1,866,726,314
Basic earnings per share (a/b)	**₱0.0063**	₱0.0049
Diluted earnings per share (a/c)	**₱0.0061**	₱0.0047

19. Financial Risk Management Objectives and Policies

General

The Group has risk management policies that systematically view the risks that could prevent the Group from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Group's objectives are achieved. The Group's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. It is also established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies.

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

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

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

Credit Risk

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

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

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

The tables below summarize the analysis of the Group's financial assets as at September 30, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past due but not impaired	Impaired	Total
Cash in banks	**₱10,686,969**	**₱–**	**₱–**	**₱–**	**₱10,686,969**
Trade and other receivables*	**–**	**384,555,068**	**–**	**43,284,089**	**427,839,157**
Due from related parties	**234,329,800**	**–**	**–**	**–**	**234,329,800**
Security deposits	**1,552,382**	**–**	**–**	**–**	**1,552,382**
	₱246,569,151	**₱384,555,068**	**₱–**	**₱43,284,089**	**₱674,408,308**

**Excluding advances to officers and employees amounting to ₱5.0 million.*

	December 31, 2021 (Audited)				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past due but not impaired	Impaired	Total
Cash in banks	₱20,912,209	₱–	₱–	₱–	₱20,912,209
Trade and other receivables*	–	332,180,707	–	40,317,062	372,497,769
Due from related parties	211,230,811	–	–	–	211,230,811
Security deposits	1,058,618	–	–	–	1,058,618
	₱233,201,638	₱332,180,707	₱–	₱40,317,062	₱605,699,407

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

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

Liquidity Risk

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

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

The table below summarizes the maturity profile of the Group's financial liabilities as at September 30, 2022, and December 31, 2021 based on contractual undiscounted payments:

	September 30, 2022 (Unaudited)				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other current liabilities*	**₱59,903,586**	**₱115,305,478**	**₱–**	**₱–**	**₱175,209,064**
Short-term and long-term loans**	**–**	**–**	**353,877,378**	**12,424,904**	**366,302,282**
Due to related parties	**37,626,965**	**–**	**–**	**–**	**37,626,965**
Lease liabilities	**–**	**–**	**5,017,878**	**4,044,345**	**9,062,223**
	₱97,530,551	**₱115,305,478**	**₱358,895,256**	**₱16,469,249**	**₱588,200,534**

**Excluding deferred output VAT and statutory payables aggregating ₱48.2 million.*

	December 31, 2021 (Audited)				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other current liabilities*	₱59,903,586	₱70,172,005	₱–	₱–	₱130,075,591
Short-term and long-term loans**	–	67,986,881	66,786,904	26,125,534	160,899,319
Due to related parties	10,390,529	–	–	–	10,390,529
Lease liabilities	744,944	696,759	1,773,622	3,399,788	6,615,113
	₱71,039,059	₱138,855,645	₱68,560,526	₱29,525,322	₱307,980,552

**Excluding deferred output VAT and statutory payables aggregating ₱46.2 million.*
***Including future interest payments.*

Interest Rate Risk

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

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

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

20. Fair value of Financial Instruments

Comparison of the carrying amounts and fair values of the Group's financial instruments as at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**₱10,814,311**	**₱10,814,311**	₱21,014,551	₱21,014,551
Trade and other receivables*	**384,555,068**	**384,555,068**	332,180,707	332,180,707
Contract assets	**1,370,685**	**1,370,685**	1,370,685	1,370,685
Due from related parties	**234,329,800**	**234,329,800**	211,230,811	211,230,811
Investment in associates	**2,196,004,928**	**2,196,004,928**	–	–
Investment in equity securities	**–**	**–**	1,595,958,904	1,595,958,904
Security deposits	**1,552,382**	**1,552,382**	1,058,618	1,058,618
	₱2,828,627,174	**₱2,828,627,174**	₱2,162,814,276	₱2,162,814276

**Excluding advances to officers and employees amounting to ₱5.0 million and ₱4.8 million as at September 30, 2022 and December 31, 2021, respectively.*

Financial Liabilities				
Accounts payable and other current liabilities*	**₱175,209,064**	**₱175,209,064**	₱130,075,591	₱130,075,591
Loans payable	**366,302,282**	**366,302,282**	153,649,705	153,649,705
Due to related parties	**37,626,965**	**37,626,965**	10,390,529	10,390,529
Lease liabilities	**9,062,223**	**9,062,223**	7,740,441	7,740,441
	₱588,200,534	**₱588,200,534**	₱301,856,266	₱301,856,266

**Excluding deferred output VAT and statutory payables aggregating ₱48.2 million and ₱46.2 million as at September 30, 2022 and December 31, 2021, respectively.*

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

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

Investment in Equity Securities. The fair value of unquoted equity security was determined using discounted cash flow method based on market observable rates. Discount rate used is 7.40% and 4.70% for the years ended December 31, 2021 and 202, respectively (Level 3).

Long-term Loans. The fair values for the Group's long-term loans are estimated using the discounted cash flow method with the applicable rates ranging from 4.50%% to 10.79% in 2021 and 6.25% to 10.79% in 2020 (Level 2).

Lease Liabilities. The fair values of the Group's lease liabilities are measured at the present value of the remaining lease payments, discounted using rates ranging from 4.25% to 7.94% in 2021. (Level 2).

There were no transfers between levels in the fair value hierarchy as at September 30, 2022 and December 31, 2021.

21. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and stable capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, based on the changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements.

The Group considers the equity attributable to the equity holders of the Parent Company as presented in the consolidated statements of financial position as its core capital. As at September 30, 2022, and December 31, 2021, the Group was able to meet its capital management objectives. No changes were made in the objectives, policies or processes for the period ended September 30, 2022, and December 31, 2021.

22. Operating Segments

Business Segments

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

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

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

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

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

23. Other Matters

On April 20, 2022, the Securities and Exchange Commission (SEC) approved the application of NOW Telecom Company, Inc. (NOW Tel), an affiliate of NOW Corporation (NOW), for an increase in its authorized capital stock and the quasi-reorganization of its equity. Through this approval, NOW effectively increased its direct equity ownership in NOW Tel from 19.00% to 24.23%.

At the Special Meeting held on 01 July 2021, the Board of Directors of NOW Corporation unanimously approved, confirmed, and ratified the offer of an existing shareholder, Velarde, Inc., to convert its advances into equity in the amount of Two Hundred Twenty One Million Pesos (Php221,000,000.00) with the conversion price computed based on the Volume Weighted Average Price (VWAP) of the 30-day trading period ending 24 June 2021 or at Php2.38 per share, and the listing with the Philippine Stock Exchange of additional 92,857,142 common shares resulting from the said conversion. On 24 May 2022, the Board of Directors of NOW Corporation in its special meeting unanimously approved to reverse its approval on 01 July 2021 on the conversion into equity of the P221,000,000.00 advances from Velarde, Inc.. The Board likewise approved the conversion of said advances into an interest-bearing loan, effective 24 May 2022, with a term of one (1) year, renewable upon mutual agreement of the parties, with interest based on prevailing market rates.

On 21 July 2022, NOW Telecom Company, Inc. (NOW Telecom), together with affiliate and listed firm NOW Corporation (NOW Corp) signed a Memorandum of Understanding together with SBA Towers Philippines, Inc., a subsidiary of SBA Communications Corporation, a NASDAQ-listed firm focused on providing tower infrastructure and other shared infrastructure in the Philippines. The parties are in discussion and negotiating the lease of build-to-suit sites, towers, and passive telecommunications infrastructure and facilities that will be made available for the installation of NOW's facilities and equipment to provide telecommunications and/or internet services.

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

24. Reconciliation of Retained Earnings Available for Dividend Declaration
(Amounts are based on Separate Financial Statements of the Parent Company)

As at September 30, 2022 (Unaudited)	**Amount**
Unappropriated retained earnings, beginning of year	**₱24,318,005**
Net income during the year closed to retained earnings	**11,425,956**
Total unappropriated retained earnings available for dividend declaration at end of year	**₱35,743,961**

Reconciliation:	
Unappropriated retained earnings as shown in the financial statements at end of year	**₱35,743,961**
Total unappropriated retained earnings available for dividend declaration at end of year	**₱35,743,961**

25. Aging of Receivables

NOW CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES

	September 30, 2022	September 30, 2021
CURRENT	780,316.00	6,860,371.00
1-30 Days past due	109,681.00	10,035,451.00
31-60 Days past due	6,870,323.00	1,019,193.00
61-90 Days past due	11,233,282.00	3,498,205.00
Over 90 Days past due	370,548,716.00	295,918,439.00
	389,542,318.00	317,331,659.00

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

- Total consolidated revenues in the YTD September 30 of 2022, is Php147.3 million, decreased by 1.64% or Php2.5 million from the same period last year of Php149.8 million. Service revenue increased by 0.80% or Php 0.6 million from Php73.7 million in 2021 to Php74.2 million this year. Service revenues mainly pertain to broadband services and income earned from the deployment by the Company of professionals to its clients to render IT-related solutions and services. Broadband and other services increased by 1% or by Php0.5 million. While Software Licenses and IT Manpower Augmentation decreased by Php2.4 million and Php0.6 million.

- Despite of the decrease in the total revenue, the Company's net income increased by 7% resulting from the reduced cost and expenses for the nine month period ending September 30, 2022.

- Cost and Expenses for the nine months period ended September 30, 2022, is Php128.7 million, which is Php7.4 million or 5.46% lower from the same period last year's Cost and Expenses of Php136.1 million. There is an increase in cost of services for the nine months period ended September 30, 2022 amounting to Php2.9 million from Php75.7 million in 2021 to Php78.7 million in 2022. While cost of sales decreased by Php2.6 million from Php5.4 million in 2021 to Php2.7 million in 2022.Operating Expense has decreased by 14.07% or by Php7.7 million from Php55.0 million in 2021 to Php47.2 million in 2022. This decrease in Operating expense is largely attributable to the decrease in salaries and wages and advertising expense that amounts to Php9.2 million and Php1.5 million.

- As of September 30, 2022, the total consolidated assets of the Company stood at Php2.907 Billion which is 4.71% higher than the same period last year. Current Assets increased by Php109.3 million or 19.07%. This increase was due to Trade and other receivables which is higher by 22.76%, and Due from related parties which is higher than 17.85%. While Noncurrent assets increased by Php21.5 million from Php 2.203 billion as of September 30, 2021 to Php 2.224 Billion as of September 30, 2022.

- Current liabilities increased by Php122.6 million or by 24.43% from Php501.6 million as of September 30, 2021 to Php624.2 million as of September 30, 2022. This was largely caused by the approval of the Board of Directors on May 24, 2022 for the reversal of the previously approved conversion to equity of Php221million advances from Velarde, Inc. On the said date, the board likewise approved the conversion of the said advances into a loan with a term of one year.

- In 2021, the Parent company availed of chattel mortgage loans aggregating Php7,103,200 from RCBC for purchases of vehicles, which serves as the properties mortgaged. The loans have a term of five (5) years and bears interest rates ranging from 9.43% to 10.35% per annum.

- On October 31, 2018, the Parent Company obtained a five-year, ₱50.0 million loan agreement with Producers Savings Bank Corporation (PSBC) maturing on October 31, 2023. The loan carries an interest rate of 8% per annum. The company has started its monthly amortization of principal on February 2021.

- In 2019, the Parent Company availed of loans aggregating ₱14.0 million from a third party, mainly to fund its working capital requirements. The loans have a term of six (6) months and carry an interest rate of 8.00% per annum. The Parent Company paid ₱ 2.0 million in 2020. The maturities of the loans amounting to ₱2.0 million and ₱10.0 million were further extended up to February 2023 and March 2023, respectively.

- The Parent Company availed of a short-term loans aggregating Php50.0 million with Land Bank. The loans carry annual interest rates ranging from 6.50% to 9.75% in 2020 and 4.80% to 7.35% in 2019 (4.80% to 6.74% in 2018) and have maturity dates ranging between three (3) months and six (6) months. The loan was fully paid on January 15, 2021. On February 2021, the Parent Company secured another set of short term loan totaling Php50 million with Landbank and was subsequently renewed until January 2023.

- The Company availed of a short-term loan amounting to Php50million with Unionbank in last quarter in 2021. The loan carries an annual interest rate of 4.5% and will mature on September 2023.

- As at September 30, 2022, the total Assets stood at Php2.906 billion, Liabilities at Php735 million and Equity at Php2.172 billion.

- As at September 30, 2022 Current assets and liabilities increased by 19.07%, and 24.43%, respectively. The Company's Liquidity Ratio wherein Current Ratio stood at 1.0931 from 1:1424 for the YTD September 30 of 2021, while Acid Test Ratio stood at 1.0650 from 1.0556 of the same period last year.

- The Company's Return on Equity for the nine months period ended September 30, 2022, and 2021 was at 0.53% and 0.50% respectively.

- A further analysis indicates that NOW Corp.'s Asset to Debt Ratio stood at 3.9567 on September 30, 2022, from 4.4240 for the same period of 2021; while its Debt to Asset Ratio stood at 0.2527 from 0.2260 of September 30, 2021.

Part II. Other Information

Item 1. Financial Soundness Indicators

See Annex "A".

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

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

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

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

As the business volume builds up progressively, the Company also plans to beef up its organization by engaging the right talents particularly to join the telecommunications, media, information technology and product development and marketing teams.

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

SIGNATURES

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

NOW CORPORATION
Issuer

BY:

HENRY ANDREWS B. ABES
President and CEO
Date: November 11, 2022

JOZOLLY O. RAMOS- UY
Acting Chief Finance Officer
Date: November 11, 2022

ANGELINE L. MACASAET
Corporate Secretary
Date: November 11, 2022

ANNEX “A”

Schedule of Financial Indicators
For the Quarter Ending 30 September 2022 and 2021

Category	Financial Ratio	YTD January to September	
		2022	2021
Liquidity	Current Ratio	1.0931	1.1424
	Acid Test Ratio	1.0650	1.0556
Solvency	Debt to Equity Ratio	0.3382	0.2921
	Asset to Debt Ratio	3.9567	4.4240
	Debt to Asset Ratio	0.2527	0.2260
Equity	Asset to Equity Ratio	1.3382	1.2921
Interest	Interest Rate Coverage Ratio	2.2969	2.2830
Profitability	Profit Margin	44.75%	45.86%
	Return on Assets	0.40%	0.39%
	Return on Equity	0.53%	0.50%
	Book Value per share	1.2023	1.1892
	Earnings per share	0.0064	0.0060

The Financial Indicators are computed as follows:

Liquidity:	Current Ratio = Current Assets/Current Liabilities Acid Test= (Current Assets- Inventory- Prepayments) / Current Liabilities
Solvency:	Debt to Equity Ratio = Total Liabilities/Total Stockholders' Equity Asset to Debt Ratio= Total Assets / Total Liabilties Debt to Asset Ratio = Total Liabilities/Total Assets
Equity:	Asset to Equity Ratio = Total Assets/Total Stockholders' Equity
Interest:	Interest Rate Coverage Ratio = Earnings Before Interest and Taxes/Interest Expense
Profitability:	Profit Margin %: Profit margin = Gross Profit/Total Revenue x 100 Return on Assets %: Return on assets = Net Income/ 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/ Outstanding Shares