PAXYS

11 April 2018

THE PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
6th Floor PSE Tower
One Bonifacio High Street
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention: **MR. JOSE VALERIANO B. ZUÑO III**
OIC - Head, Disclosure Department

Gentlemen:

Enclosed herewith is our Annual Report for the year ended 31 December 2017 (SEC Form 17-A).

We trust that you will find the attached document in order.

Very truly yours,

PAXYS, INC.

By:

MAYETTE H. TAPIA
Corporate Information Officer

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SEC Registration Number

P A X Y S , I N C .

(Company's Full Name)

15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City

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

Atty. Mayette H. Tapia

(Contact Person)

(+632) 250-3800

(Company Telephone Number)

12 31
Month *Day*
(Calendar Year)

17-A
(Form Type)

12 06
Month *Day*
(Annual Meeting)

2017

(Secondary License Type, If Applicable)

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VI
Amended Articles Number/Section

Total Amount of Borrowings

716
Total No. of Stockholders

Domestic	Foreign
-	-

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **2017**

2. SEC Identification Number **6609**

3. BIR Tax Identification No. **000-233-218**

4. Exact Name of the registrant as specified in its charter **PAXYS, INC.**

5. Province, Country or other jurisdiction of incorporation: **Philippines**

6. Industry Classification Code: _____________ (SEC Use Only)

7. Address of principal office: **15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City**

8. Issuer's telephone number, including area code: **(+632) 250-3800**

9. Former name, former address, and former fiscal year, if changed since last report: **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the SRC:

a) Authorized Capital Stock

Common shares, ₱1.00 par value	1,800,000,000 shares

b) Issued and Outstanding Shares

Common shares, ₱1.00 par value	1,148,534,866 shares

c) Amount of Debt Outstanding as of December 31, 2017:

nil

Are any or all of these securities listed on the Philippine Stock Exchange?

Yes [x] No [ ]

11. Check whether the issuer:

(i) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

(ii) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

12. Aggregate market value of the voting stock held by non-affiliates:

₱482,900,048.31 (171,850,551 shares @ ₱2.81 per share as of December 31, 2017)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Description of Business

Corporate Information

Paxys, Inc. (Paxys, the Company, or the Parent Company) is an investment holding company incorporated in the Philippines and listed on the Philippine Stock Exchange. Formerly known as Fil-Hispano Holdings Corporation, Paxys was registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. As at December 31, 2017, its major shareholders are All Asia Customer Services Holdings Ltd. (AACSHL), a privately-held company incorporated in Hong Kong, and Paxys NV, a wholly owned subsidiary of the Company, with 54.93% and 30.09% interests, respectively.

At present, the Parent Company's operating subsidiaries provide general transcription, proofreading, data conversion, contact center and other outsourcing services.

Previous investments of Paxys include the following:

- The Parent Company expanded its business and made several acquisitions in Australia through Paxys Australia Pty Ltd ("PAU"). The most significant acquisition was made in April 2006 when PAU acquired SmartSalary Pty Ltd ("SmartSalary"), a salary packaging company based in Australia. In 2009, SmartSalary acquired two major Australian providers of in-house salary packaging software solutions, namely, Melbourne System Group Pty Ltd and Seqoya Pty Ltd. In 2010, PAU incorporated a wholly-owned subsidiary, Smartfleet Management Pty Ltd ("Smartfleet"), for the purpose of engaging in fleet management-related business. Smartfleet further expanded by acquiring the assets of Webfleet Management Services Pty Ltd, a leading provider of software solutions for online fleet management. Smartfleet also acquired Australian Vehicle Consultants Pty Ltd, a full service fleet management company and a leading provider of vehicle maintenance services. Smartsalary also acquired PBI Benefit Solutions Pty Ltd, a company engaged in issuing credit card products to employees of public hospitals and public benevolent institutions in Australia. In June 2012, the Company, through Paxys N.V., sold its 100% interest in PAU and its subsidiaries to SmartGroup Investments Pty Ltd.
- In January 2007, Paxys, together with joint venture partner Stellar Global, Inc., established Stellar Global Solutions Philippines, Inc. ("SGSP"). SGSP was organized to provide cost-effective Philippine offshore outsourcing for the Australian and UK clients of the Stellar Community. In April 2011, SGSP formed a wholly-owned subsidiary – Stellar Philippines, Inc. ("Stellar Philippines") to further expand Stellar's operations in the Philippines. Paxys sold all of its equity interests in SGSP and Stellar Philippines to Stellar Global, Inc. in July 2013.
- In 2008, Paxys partnered with WNS Global Services Netherlands Cooperative U.A. ("WNS Global") to form WNS Philippines, Inc. Based in Mumbai India, WNS Global is a leading provider of business process outsourcing for various services such as banking, travel, telecommunications, logistics, insurance, and healthcare. In October 2011, Paxys transferred all of its equity interests in WNS Philippines, Inc. to its foreign partner.
- To further improve its IT capabilities and expertise, the Company acquired a majority stake in Ubaldo Reidenbach Solutions, Inc. ("URSI") in 2008. URSI is a Philippine company engaged in IT consultancy focusing on Linux, Open Source Software and Red Hat Software. In 2008, Paxys acquired majority ownership in Global Idealogy Corporation ("GIC"), a software

solutions provider. In October 2012, Paxys transferred all of its equity interests in URSI in favor of URSI's minority shareholders. In August 2011, Paxys sold all of its equity interests in GIC in favor of GIC's minority shareholders.

In 2014, Paxys N.V., a wholly-owned subsidiary of the Parent Company, completed a tender offer to acquire 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock at the price of ₱3.20 per share. As of December 31, 2017, AACSHL remains the majority shareholder owning 54.93% of the Parent Company's total issued and outstanding shares. The public ownership level of Paxys is at 14.96% as of December 31, 2017.

The registered office address of the Parent Company is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines.

Bankruptcy/Receivership for the Group

There has been no bankruptcy, receivership or similar proceeding for the Paxys Group.

Business Combinations and Discontinued Operations for the Last Three (3) Years

Paxys Ltd. and Simpro Solutions Limited

On September 13, 2012, Paxys completed the purchase of 100% equity in Paxys Limited, a company incorporated in Hong Kong. Paxys Ltd. owned 50% of Simpro Solutions Ltd. (SSL), a joint venture incorporated in Hong Kong. The joint venture partner of Paxys Limited is Simpro Solutions, Inc., a Canadian BPO company engaged in contact center and back office outsourcing activities. On August 3, 2012, SSL incorporated Simpro Solutions Philippines, Inc. (SSPI) which carried the BPO business of Simpro in the Philippines.

On May 6, 2015, SSPI terminated its Philippine operations due to non-renewal of its revenue contracts. Thereafter, SSPI amended its Articles of Incorporation shortening the term of its existence to June 30, 2018. Said amendment has been approved by the Board of Directors on March 15, 2017 and by the Securities and Exchange Commission on May 24, 2017. By virtue of the Amended Articles of Incorporation, the Corporation will dissolve its corporate existence on June 30, 2018. Paxys has joint control in SSPI through its wholly-owned subsidiary, Paxys Ltd.

Principal Products or Service

Paxys is an investment holding company. Through its operating subsidiaries, Paxys has been engaged in diversified services such as business processing outsourcing and data conversion throughout the Philippines and internationally. For the past years, Paxys divested its call center, salary packaging, IT consulting, and software solutions business. At present, Scopeworks Asia, Inc. (SWA) is the only remaining operating subsidiary.

SWA is a Philippine BPO company engaged in general transcription, proofreading, data conversion, contact center and outsourcing services with clients in the US and UK.

Percentage of revenues contributed by foreign sales *(In Millions Php)*

	2017		2016		2015	
	Amount	**%**	Amount	%	Amount	%
Foreign	**₱79.2**	**100%**	₱92.1	100%	₱134.7	100%
Local	-	-	-	-	-	-
Total	**₱79.2**	**100%**	₱92.1	100%	₱134.7	100%

Distribution methods of the products or services

To ensure that all of the clients' needs are properly addressed and met, the team has developed the Group's website (www.paxys.com). Through this site, clients can easily access all of the subsidiaries' services and individual websites.

SWA delivers the service to its clients using a proprietary system which integrates marketing, transcription upload and download, job monitoring, customer service, and customer payment all on its website.

Status of any publicly- announced new product or service

There are no new products nor services introduced in 2017.

Competition

The Company's competition within the global BPO services industry includes US-based outsourcing companies and offshore BPO companies.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

Paxys and its subsidiaries obtain equipment and other materials mostly from local suppliers. The Company is not dependent upon one or limited number of suppliers for essential equipment and other materials as it continuously looks for new suppliers that can satisfy the Company's requirements.

Major Customers

The revenues from external customers accounting for 10% or more of the consolidated revenue pertain to revenue from services rendered by its operating subsidiary to Nuance Communications Ireland Ltd.

Related Party Transactions

Transactions between related parties for the year 2017 mainly include cash advances for working capital advances and are accounted for at arms-length prices. Paxys granted cash advances in support of working capital requirements of ACS Pacific Limited amounting to ₱17.0 million.

Licenses

Scopeworks Asia, Inc. (SWA)
On November 25, 2009, SWA's registration of its expanding business process outsourcing service in the field of data transcription activity was approved by BOI. This certification entitles SWA to a three year ITH starting December 2009 until November 2012. The ITH shall be limited only to the revenue generated from the registered expansion project. As a registered entity, SWA is required to export at least 70% of its total services, among other requirements. The ITH incentive has expired in November 2012. Thus, starting December 1, 2012, SWA is subjected to 30% regular corporate income tax.

Simpro Solutions Philippines, Inc. (SSPI)
SSPI was registered with the Philippine Economic Zone Authority in October 2012 as an Ecozone Information Technology Enterprise. Under Simpro's registration conditions, Simpro's operations is not entitled to Income Tax Holiday (ITH), but only to 5% Gross Income Tax (GIT) incentive, in lieu of all national and local taxes, including the additional deduction of training expenses, as provided in RA 7916, as amended, and to incentives under Article77, Book VI of EO 226 provided that it complies with the export sales requirement prescribed for Ecozone IT Enterprises.

As at December 31, 2017, Simpro has not availed the 5% GIT incentive and has been subjected to regular corporate income tax rate of 30% following the termination of its registered activities in June 2015.

Effect of existing or probable governmental regulations on the business

The limitation and conditions on SWA imposed by BOI has ended in November 2012. In 2013, SWA is subject to government regulations same as regular business entity.

SSPI is subject to the export sales requirements prescribed for Economic IT Enterprises.

Research and Development

The Company has not spent any amount during the last three calendar years on research and development activities.

Environmental Matters

The Company is not involved in any action or proceeding involving non-compliance in any material respect with relevant environmental laws and regulations of the Philippines.

Employee and Labor Relations

As of December 31, 2017, the Group has 204 employees - including regular, project-based, and probationary employees. There are no existing collective bargaining agreements (CBA) covering Paxys employees nor its subsidiaries.

The Group provides its employees with medical insurance and leave benefits. For professional development, the Group provides for team building activities and offers training programs that address the specific needs of employees. To foster work-life balance, the Group sponsors among others, annual summer and year-end activities.

Additional Requirements as to Certain Issues or Issuers

Debt Issues
The Company's net worth exceeds ₱25.0 million. There are no unsecured bonds to be issued.

Item 2. Properties

The Company's consolidated assets consist of computer equipment, communication equipment, leasehold improvements, office furniture, fixtures and equipment, transportation equipment and software licenses. No property and equipment were pledged as collateral in 2017 and 2016.

The Company has no plans to acquire real property in the next twelve (12) months.

Below is the list of leased properties and the conditions thereof as of December 31, 2017:

PAXYS Location	Expiration of Lease	Term of Renewal
15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City	April 30, 2021	Upon agreement of both parties

SWA Location	Expiration of Lease	Term of Renewal
Building No.1, Diode St., Light Industry & Science Park (LISP), Brgy. Diezmo, Cabuyao Laguna	December 31, 2019	Upon agreement of both parties

Item 3. Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiary or affiliates is a party, or of which any of their property is the subject.

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

There were no matters submitted to a vote of security holders during the year covered by this report.

PART II – SECURITIES

Item 5. Market for Registrant's Common Equity and Related Stockholders Matters

Market Information

Principal market where common equity is traded: **Philippine Stock Exchange**

High and low sales prices for each quarter within the last two fiscal years:
The following are the high and low closing sales prices of the Corporation's shares:

	Closing Prices	
	High	**Low**
2017		
1st quarter	4.83	3.00
2nd quarter	3.15	2.90
3rd quarter	3.44	2.85
4th quarter	4.21	2.76
2016		
1st quarter	3.11	2.30
2nd quarter	2.85	2.40
3rd quarter	3.20	2.45
4th quarter	3.14	2.50

Price information as of latest practicable trading date:
As of December 31, 2017, Paxys shares are traded on the Philippine Stock Exchange at the price of ₱2.81 per share.

Description of Registrant's Securities

Common Stock
Common share with par value of ₱1.00 is the only class of shares of Paxys. As of December 31, 2017, total issued and outstanding shares of the Company amounted to 1,148,534,866 shares. The total authorized capital shares of stock is 1.8 billion shares.

Debt Securities
The Company does not have any debt securities to be registered.

Securities Subject to Redemption or Call
There are no securities subject to redemption or call.

Dividends

There were no dividends declared as at December 31, 2017, 2016, and 2015.

Holders

The number of stockholders of record as of December 31, 2017 in the Company's stock and transfer book was 716. The common shares issued as of December 31, 2017 were 1,148,534,866. The list of the top 20 stockholders of Paxys common shares as of December 31, 2017 is stated hereunder:

Name	No. of Shares	% of Total
All Asia Customer Services Holdings Ltd.	621,260,820*	**54.09%**
PCD Nominee Corporation (Non-Filipino)	465,127,305	**40.50%**
PCD Nominee Corporation (Filipino)	60,166,729	**5.24%**
Kho, Jimmy Jao	300,000	**0.03%**
Chua, Carmen	216,276	**0.02%**
Granados, Juan P.	158,112	**0.01%**
Yao Shiong Shio	95,184	**0.01%**
Kaw Sek & Company	86,088	**0.01%**
Lim, Ghee Keong	81,800	**0.01%**
Paredes, Antonio	79,728	**0.01%**
Urrutia, Kevin	75,000	**0.01%**
Willis, Hugh Warren	63,111	**0.01%**
Jalandoni, Rodegelio M.	62,052	**0.01%**
Celis, Angela	55,776	**0.00%**
Martinez, Emilio G.	55,236	**0.00%**
Santiago, Eduardo A.	37,920	**0.00%**
Tangco, Francisco F.	37,896	**0.00%**
Co, Victor C.	31,536	**0.00%**
Asiamerit Securities, Inc.	24,000	**0.00%**
Reyes, Leopoldo T.	19,800	**0.00%**
Total	**1,148,031,409**	**99.96%**

** This does not include the 9,538,218 shares lodged with AB Capital Securities, Inc. and SJ Roxas and Co., Inc. Therefore, the total number of shares owned by All Asia Customer Services Holdings Ltd. is 630,844,038 representing 54.93% of the total outstanding shares*

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis and Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

The following discussion and analysis of the financial condition and results of operations of Paxys, Inc. and its subsidiaries should be read in conjunction with the audited consolidated financial statements and other accompanying disclosures set forth elsewhere in this report.

Results of Operation

Consolidated Financial and Operational Highlights
(*In Thousand Pesos unless otherwise stated*)

	2017	2016	YoY Change
Service Income	₱79,205	₱92,073	(14%)
Gross Profit	12,684	12,258	3%
EBITDA[1]	8,993	19,739	(54%)
Loss from operations[2]	(73,142)	(65,070)	(12%)
Net Income attributable to equity holders	1,954	11,830	(83%)

Service income as the December 31, 2017 and 2016 pertain to the revenue from the remaining operating subsidiary of the Group, SWA.

SWA revenues went down by 14% mainly due to lower volume. At the Gross Profit level, the impact of this shortfall was tempered by lower direct cost resulting primarily from effective planning and management of workforce in response to the decline in volume.

SWA continue to generate income from operations and recorded ₱1.3 million and ₱5.9 million Net Income as at December 31, 2017 and 2016, respectively. Meanwhile, the Group's total interest income from surplus funds are about ₱74.9 million and ₱66.8 million as at December 31, 2017 and 2016, respectively. These effectively offset the overhead costs of the Parent Company and results to a consolidated Net Income and positive EBITDA of ₱9.0 million and ₱19.7 million, respectively.

Compared with prior year results, the Group's Net Income went down by 83% due to one-off net gain in 2016 amounting to ₱6.8 million. Excluding one-off gain, Net Income has decreased by about 61% mainly due to higher operating expenses related to business development activities of the Parent Company.

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[1] EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.
[2] Operating Income (Loss) = Gross Profit - Gen & Admin Expenses

Scopeworks Asia, Inc. (SWA)
(in Thousand Pesos unless otherwise stated)

	2017	2016	YoY Change
Service Income	₱79,205	₱92,073	(14%)
Gross Profit	12,684	12,258	3%
EBITDA[1]	2,634	7,657	(66%)
Income from operations[2]	392	3,263	(88%)
Net Income	1,311	5,911	(78%)

SWA's service income has decreased year on year over the last two years mainly due to the lower demand for the service and the improvement in the technologies.

In 2017, the ₱79.2 million Service Income decreased by 14% versus prior year Service Income of ₱92.1 million. While SWA is continuously looking for new business opportunities to increase its revenues, several mitigating measures have been put into place to ensure that the business will be able to address potential losses brought by volume decline. In 2016, SWA site operations were consolidated in Laguna and this has significantly reduced the operating expenses of the company.

As a result, SWA recorded a Net Income of ₱1.3 and ₱5.9 million as at December 31, 2017 and 2016, respectively. EBITDA is also positive at ₱2.6 million and ₱7.7 million for 2017 and 2016, respectively.

Financial Position

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

	2017	2016	YoY Change
Current Assets	₱3,742,200	₱3,728,440	0.4%
Noncurrent Assets	13,395	14,493	(7.6%)
Assets	3,755,595	3,742,933	0.3%
Current Liabilities	26,692	34,230	(22.0%)
Noncurrent Liabilities	4,064	5,258	(22.7%)
Equity	3,724,839	3,703,445	0.6%

The Group's total assets as at December 31, 2017 has increased by ₱12.7 million. This is mainly due to the operating income of the Group and the gain on translation of Paxys NV's dollar-denominated funds. The translation gain is shown in the Equity section of the audited consolidated statements of financial position under "Other Equity Reserves".

[1] EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization

[2] Operating Income (Loss) = Gross Profit - Gen & Admin Expenses

Liquidity and Capital Resources

Consolidated Financial and Operational Highlights
(In Thousand Pesos unless otherwise stated)

	2017	2016	YoY Change
Net Cash provided by (used in) Operating Activities	(₱13,164)	₱19,730	(167%)
Net Cash used in Investing Activities	(95,359)	(285,112)	67%
Net decrease in Cash and Cash Equivalents	(108,523)	(265,382)	59%

The cash used in investing activities pertain mainly to purchase of additional investments in short-duration bonds and managed funds. These are classified as Held-to-Maturity Investments and Available-for-Sale financial assets in the consolidated financial position.

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

Top Financial Ratios

The following are the major financial ratios of the Company for the year ended December 31, 2017 and year ended December 31, 2016:

	2017	2016	YoY Change
Current Ratio	140.2	108.9	29%
Debt to Equity Ratio	0.01	0.01	-
Return on Equity	0.05%	0.32%	(84%)
EBITDA Margin	11%	21%	(47%)
Net Income margin	2%	13%	(81%)

All KPI ratios are within the management's expectation within the periods under review.

1. Current ratio – Current ratio is a measurement of liquidity. It measures the Group's ability to cover its short-term liabilities with its current assets. This is derived by dividing the total current assets of the Group over total current liabilities. Higher ratio means higher liquidity.

2. Debt to equity ratio – indicates the relative proportion of the debt used to finance the Group's assets over its total shareholders' equity.

3. Return on equity ratio – Return on equity ratio is a profitability measure. This is computed by dividing the net income over total stockholders' equity.

4. EBITDA Margin – this is equal to the Group's earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue.

5. Net Income Margin – ratio of net profits to revenues

Other Matters

a. Subsequent event
None.

b. Contingencies
As of December 31, 2017, the Company has no material contingencies.

c. Commitments
There were no material commitments for expansion as of December 31, 2017.

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

e. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

f. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

h. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

i. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

j. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Trends, Events, Uncertainties or Contingent Financial Obligation with Material Impact on Liquidity

The Company does not anticipate having liquidity problem within the next twelve (12) months since it has adequate amount of cash to pay its maturing obligations and to support its working capital requirements.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

Consolidated Financial and Operational Highlights
(In Thousand Pesos unless otherwise stated)

	2016	2015	YoY Change
Service Income	₱92,073	₱134,700	(32%)
Gross Profit	12,258	15,767	(22%)
EBITDA[1]	19,739	(3,842)	614%
Loss from operations[2]	(65,070)	(63,841)	(2%)
Net Income (Loss) attributable to equity holders	11,830	(12,569)	194%

Service income for both years pertain to the revenue from remaining operating subsidiary of the Group, Scopeworks Asia (SWA).

Service Income for the year 2016 went down to ₱92.1 million for a 32% or ₱42.6 million decrease versus 2015 mainly due to the lower volume in the business of SWA. However, there are savings in personnel and premise costs due to site consolidation, thus, the decrease in the Gross Profit was minimized at ₱3.5 million or 22%.

Interest Income from the Group's surplus funds continue to provide a stable additional source of income. In 2016, these surplus funds were invested in various local and international banks with higher yield rates (classified as Available-for-Sale financial assets and Held-to-Maturity Investments in the consolidated financial statements) resulting to total Interest Income of ₱66.8 million or a 54% increase versus prior year Interest Income of ₱43.3 million. This together with favorable foreign exchange rate and cost efficiencies of the Parent Company and its operating subsidiary resulted to a 194% turnaround in the Group's Net Income of ₱11.8 million versus Net Loss of ₱12.6 million in 2015.

Scopeworks Asia, Inc. (SWA)

The following table shows key performance indicators of SWA, the remaining operating subsidiary of the Group:
(in Thousand Pesos unless otherwise stated)

	2016	2015	YoY Change
Service Income	₱92,073	₱134,700	(32%)
Gross Profit	12,258	15,767	(22%)
EBITDA[1]	7,657	3,522	118%
Income (loss) from operations[2]	3,263	(5,866)	156%
Net Income	5,911	1,273	364%

SWA's service income has decreased year on year over the past three years mainly due to the lower demand for the service and the improvement in the technology.

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[1] EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.
[2] Operating Income (Loss) = Gross Profit - Gen & Admin Expenses

In 2016, SWA reported ₱92.1 million Service Income. This is a decrease of 32% versus 2015 Service Income of ₱134.7 million. SWA management has taken several measures to cope up with the decrease in its revenues which included consolidation of site operations. The result of which is a 36% or ₱51.7 million overall lower total direct and general expenses for the year.

In summary, 2016 has been better in terms of financials versus 2015 for a Net Income of ₱5.9 million or 364% improvement versus ₱1.7 million from 2015. EBITDA is also positive for both years.

Financial Condition

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

	2016	2015	YoY Change
Current Assets	₱3,728,440	₱3,579,165	4%
Noncurrent Assets	14,493	16,037	(10%)
Assets	3,742,933	3,595,202	4%
Current Liabilities	34,230	45,010	(24%)
Noncurrent Liabilities	5,258	6,789	(23%)
Equity	3,703,445	3,543,403	4%

The Group's total assets and equity increased by 4% or ₱147.7 million mainly due to gain in translation of Paxys NV's dollar-denominated funds and the income of the operating subsidiary of the Group. The translation gain is shown in the Equity section of the audited consolidated statements of financial position under "Other Equity Reserves".

Liquidity and Capital Resources

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

	2016	2015	YoY Change
Net Cash provided by (used in) Operating Activities	₱19,730	(₱16,597)	219%
Net Cash used in Investing Activities	(285,112)	(333,360)	(14%)
Net decrease in cash and cash equivalents	(265,382)	(349,957)	242%

The cash used in investing activities for both years pertain mainly to investment in short-duration bonds and managed funds. These are classified as Held-to-Maturity Investments and Available-for-Sale financial assets in the consolidated financial position.

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

Top Financial Ratios

The following are the major financial ratios of the Company for the year ended December 31, 2016 and year ended December 31, 2015:

	2016	2015	YoY Change
Current Ratio	108.9	79.5	37%
Debt to Equity Ratio	0.01	0.01	-
Return on Equity	0.32%	(0.4%)	180%
EBITDA Margin	21%	(3%)	800%
Net Income margin	13%	(9%)	244%

All KPI ratios are within the management's expectation within the periods under review.

1. Current ratio – Current ratio is a measurement of liquidity. It measures the Group's ability to cover its short-term liabilities with its current assets. This is derived by dividing the total current assets of the Group over total current liabilities. Higher ratio means higher liquidity.

2. Debt to equity ratio – indicates the relative proportion of the debt used to finance the Group's assets over its total shareholders' equity.

3. Return on equity ratio – Return on equity ratio is a profitability measure. This is computed by dividing the net income over total stockholders' equity.

4. EBITDA Margin – this is equal to the Group's earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue.

5. Net Income Margin – ratio of net profits to revenues

OTHER MATTERS

a. Subsequent Event
   None

b. Contingencies
   As of December 31, 2016, the Company has no material contingencies.

c. Commitments
   There were no material commitments for expansion as of December 31, 2016.

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

e. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

f. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

h. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

i. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

j. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Trends, Events, Uncertainties or Contingent Financial Obligation with Material Impact on Liquidity

The Company does not anticipate having liquidity problem within the next twelve (12) months since it has adequate amount of cash to pay its maturing obligations and to support its working capital requirements.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

Consolidated Financial and Operational Highlights
(*In Thousand Pesos unless otherwise stated*)

	2015	2014	YoY Change
Service Income	₱134,700	₱150,509	(11%)
Gross Profit	15,767	17,982	12%
EBITDA[1]	(3,842)	(7,479)	49%
Loss from operations[2]	(63,841)	(66,745)	4%
Net Loss attributable to equity holders	(12,569)	(20,849)	40%

Service income in 2015 pertains to the revenue of the only remaining operating subsidiary of the Group, Scopeworks Asia (SWA), while 2014 includes revenue from both SWA and Paxys Global Services, Inc. (PGSI). In 2014, PGSI has discontinued its operations primarily due to non-renewal of its accounts. This, together with the lower volume of SWA account resulted to 11% or ₱15.8 million decrease in the Group's Service Income.

At the Gross Profit (GP) level, the decrease in Service Income was minimized by the savings in Direct Costs of SWA, particularly personnel costs, resulting to a ₱2.2 million decrease in GP versus 2014.

Despite lower Service Income for the year 2015, the Group's Operating Loss has improved by 8% or ₱4.5 million versus 2014 mainly due to operating efficiencies and other cost-saving initiatives of SWA.

The surplus funds of the Group continue to provide a stable additional income for the Group. In 2015, some of the funds were moved to local banks with higher yield and short duration bonds (classified as Held-to-Maturity Securities in the consolidated financial statements), which resulted to a higher interest income by at least ₱5.0 million. This, together with favorable foreign exchange rate

[1] EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.
[2] Excludes Interest Income but includes Other Income and Net Foreign Exchange Gain/Loss

and operating cost efficiencies of SWA, resulted to an improved bottomline of the Group amounting to ₱12.6 million loss or a 40% lower versus prior year's loss of ₱20.8 million.

Scopeworks Asia, Inc. (SWA)

The following table shows key performance indicators of SWA, the remaining operating subsidiary of the Group:
(in Thousand Pesos unless otherwise stated)

	2015	2014	YoY Change
Service Income	₱134,700	₱145,969	(8%)
Gross Profit	15,767	18,321	(14%)
EBITDA[1]	3,522	5,988	(41%)
Income from operations	(5,866)	(9,192)	36%
Net Income	1,273	3,109	(59%)

SWA's service income has decreased versus prior year mainly due to the lower volume of its Voice-to-Text account. This decline has no direct correlation on the performance of the company but is principally due to the improvement in the technology or lower demand for the service.

Nevertheless, the company has been proactive in looking for new revenue streams. Likewise, the financials of the Group remained strong and the ₱11.3 million decrease in the Service Income versus prior year has been reduced to a minimal amount of ₱1.8 million at the Net Income level.

Paxys Global Services, Inc.
(now "Paxys Realty, Inc." based on the Amended Articles of Incorporation approved by the SEC on February 6, 2018)

The following table shows key performance indicators of PGSI:
(in Thousand Pesos unless otherwise stated)

	2015	2014	YoY Change
Service Income	₱-	₱4,540	(100%)
Gross Profit	-	1,627	(100%)
EBITDA	(355)	3,321	(111%)
Loss from operations	(355)	(2,290)	84%
Net Loss	(355)	(562)	(37%)

The revenue contracts of PGSI were terminated in April 2014. The Net Loss in 2015 pertains mainly to the statutory expenses of the company.

The Company is looking for new business opportunities under real estate. On November 2017, the Board of Directors approved the change in corporate name of PGSI to "Paxys Realty, Inc." and its primary purpose from business process outsourcing to real estate activities. These changes have been approved by the Securities and Exchange Commission on February 6, 2018.

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[1] Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization

Financial Condition

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

	2015	2014	YoY Change
Current Assets	₱3,579,165	₱3,478,780	3%
Noncurrent Assets	16,037	19,266	(17%)
Assets	3,595,202	3,498,046	3%
Current Liabilities	45,010	48,380	(7%)
Noncurrent Liabilities	6,789	11,122	(39%)
Equity	3,543,403	3,438,544	3%

The significant changes in the statements of financial position from December 31, 2015 to December 31, 2014 are as follows:

- The Group's total assets increased by 3% or about ₱100 million because of the gain in translation of Paxys NV's dollar-denominated funds. This translation gain is likewise shown in the Equity section of the consolidated statements of financial position under "Other Equity Reserves".

- Noncurrent liabilities in 2015 was lower by 39% compared to prior year mainly due to lower retirement liability as a result of gain on curtailment.

Liquidity and Capital Resources

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

	2015	2014	YoY Change
Net Cash provided by (used in) Operating Activities	(₱16,597)	₱145,696	111%
Net Cash used in Investing Activities	(333,360)	(1,848)	17939%
Net Cash used in Financing Activities	-	(1,073,226)	(100%)
Net decrease in cash and cash equivalents	(349,957)	(929,378)	62%

The cash used in investing activities pertain to investment in short-duration bonds. These are classified as Held-to-Maturity Investments and Available for Sale financial assets in the consolidated financial position.

In 2014, the net decrease in cash and cash equivalents is due to the purchase of common shares through a tender offer made by Paxys N.V. The total consideration paid amounted to ₱1,149.9 million.

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

Top Financial Ratios

The following are the major financial ratios of the Company for the year ended December 31, 2015 and year ended December 31, 2014:

	2015	2014	YoY Change
Current Ratio	79.5	71.9	11%
Debt to Equity Ratio	0.01	0.02	(16%)
Return on Equity	(0.4%)	(1%)	(41%)
EBITDA Margin	(3%)	(5%)	(43%)
Net Income margin	(9%)	(14%)	(33%)

All KPI ratios are within the management's expectation within the periods under review.

1. Current ratio – Current ratio is a measurement of liquidity. It measures the Group's ability to cover its short-term liabilities with its current assets. This is derived by dividing the total current assets of the Group over total current liabilities. Higher ratio means higher liquidity.

2. Debt to equity ratio – indicates the relative proportion of the debt used to finance the Group's assets over its total shareholders' equity

3. Return on equity ratio – Return on equity ratio is a profitability measure. This is computed by dividing the net income over total stockholders' equity.

4. EBITDA Margin – this is equal to the Group's earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue.

5. Net Income Margin – ratio of net profits to revenues

Other Matters

a. Subsequent event
None.

b. Contingencies
As of December 31, 2015, the Company has no material contingencies.

c. Commitments
There were no material commitments for expansion as of 2015.

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

e. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

f. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

h. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

i. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

j. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Trends, Events, Uncertainties or Contingent Financial Obligation with Material Impact on Liquidity

The Company does not anticipate having liquidity problem within the next twelve (12) months since it has adequate amount of cash to pay its maturing obligations and to support its working capital requirements.

Item 7. Financial Statements

Please refer to the attached consolidated financial statements of Paxys Group (Exhibit C) as at and for the years ended December 31, 2017, 2016, and 2015.

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

Pursuant to the authorization made by the shareholders at the Group's Annual Shareholders Meeting held on December 5, 2014, the Group appointed Reyes Tacandong & Co. as its new external auditor for Paxys, Inc. and subsidiaries effective taxable year 2014. The Group's previous external auditor, SGV & Co. has served the Group for more than five taxable years and the change was made in line with the corporate governance policies of the Group.

There are no disagreements with the current nor previous auditors regarding accounting and financial disclosure.

The consolidated fees billed for the audit of the Company's annual financial statements amounted to ₱1.3 million, ₱1.3 million, and ₱1.2 million in 2017, 2016 and 2015, respectively.

There are no other assurance and related services rendered by the external auditors.

The audit fees were approved by the Audit Committee based on the scope of work of external auditors and the complexity of accounting and audit issues identified. There are no professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services for the last two fiscal years.

PART IV. MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant

Directors, including independent directors and executive officers:

NAME	POSITION	AGE	CITIZENSHIP
Tarcisio M. Medalla	Chairman & President	69	Filipino
Roger Leo A. Cariño	Director/ Treasurer	58	Filipino
Christopher B. Maldia	Director	57	Filipino
Ghee Keong Lim	Director	50	Malaysian
Roberto A. Atendido	Director	70	Filipino
George Y. SyCip	Independent Director	61	American
Jose Antonio Lichauco	Independent Director	59	Filipino
Sivam Kandavanam*	Director	60	Malaysian
Mayette H. Tapia	Corporate Secretary / CIO	31	Filipino
Mark David P. Martinez*	Corporate Secretary/ CIO	37	Filipino
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary/CIO	49	Filipino
Pablito O. Lim	Compliance Officer	59	Filipino

**Mr. Sivam Kandavanam has resigned from the Board of Directors on November 6, 2017 as disclosed to the PSE and SEC on November 7, 2017. Mr. Mark David P. Martinez has resigned as a member of the Board of Directors, as well as CIO and Corporate Secretary, effective on June 15, 2017 as disclosed to the PSE on May 22, 2017.*

Mr. Tarcisio M. Medalla, 69 years old, Filipino, has been a Director and President of the Company since December 30, 2003. He is concurrently a Director of UT Global Services Limited, a privately held company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He is also a director of Pacific Online Systems Corporation, a company listed with the Philippine Stock Exchange. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

Mr. Roger Leo A. Cariño, 58 years old, Filipino, has been a Director of the Company since December 30, 2003. He is currently the Company's Treasurer, which he also held from 2004 to 2006 and 2009. He is concurrently a Director of UT Global Services Limited, a privately held investment company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd. He has been connected with the Group since 1990. He graduated with a BSC degree, major in Accountancy, from Ateneo de Naga University and attended the MBA Program at Murdoch University and the Strategic Business Economics program at the University of Asia and the Pacific. He is a Certified Public Accountant.

Mr. Christopher B. Maldia, 57 years old, Filipino, has been a Director of the Company since December 2003. He graduated with a Bachelor of Laws degree from the Ateneo de Manila University. He also holds a Master of Laws degree in International Legal Studies from New York University School of Law. He is a member of the Philippine Bar and the New York Bar.

Mr. Lim Ghee Keong, 50 years old, Malaysian, was appointed as a Director of the Company on June 3, 2005. He has more than 25 years of experience in finance, treasury and credit management. Prior to joining the Usaha Tegas Sdn Bhd (UTSB) Group in 1995, he was attached to General Electric Capital Corporation in the USA and Ban Hin Lee Bank in Malaysia. He is a Director and currently is the

Chief Operating Officer of UTSB, and he serves on the boards of several other companies in which UTSB Group has significant interests, such as Maxis Berhad (listed on the Bursa Malaysia Securities Berhad) (Bursa Securities), Astro Malaysia Holdings Berhad (listed on Bursa Securities) and Bond Pricing Agency Malaysia Sdn. Bhd., a bond pricing agency registered with the Securities Commission Malaysia. He is also a director of Yu Cai Foundation. He holds a Bachelor of Business Administration degree, majoring in Finance, from the University of Hawaii at Manoa, USA.

Mr. Roberto A. Atendido, 70 years old, Filipino, has been a Director of the Corporation since October 1, 2004. He is currently the Vice Chairman/Director of Asian Alliance Investment Corp. and President/Director of Asian Alliance Holdings and Development Corp. He is currently a member of the board of the following companies: Philippine Business Bank, Picop Resources Corporation, Sinag Energy Philippines, Pharmarex Corporation, and Macay Holdings Inc. He holds a Masters Degree in Business Management from the Asian Institute of Management.

Mr. George Y. SyCip, 61 years old, American, has been a Director of the Company since October 1, 2004. He advises a variety of companies in their cross-border endeavors between the US/Europe and Asia and serves on the corporate Boards of Alliance Select Foods International Inc., Asian Alliance Investment Corp., Bank of the Orient in San Francisco and Beneficial Life Insurance Company. He is also a Trustee or Director of the International Institute for Rural Reconstruction, Give2Asia, Global Heritage Fund and the California Southeast Asia Business Council. He holds a Masters Degree in Business Administration from Harvard Business School and a Bachelors degree in International Relations/Economics from Stanford University.

Mr. Jose Antonio A. Lichauco, 59 years old. Filipino, is concurrently the President of Asian Alliance Investment Corp., specializing in Investment Banking and Corporate Finance. He is also concurrently a Director of Automated Technology (Philippines), Inc. wherein he was previously Senior Vice-President and Chief Financial Officer. He also held positions at Insular Investment and Trust Corporation and at SGV & Co. He obtained his Masters Degree in Business Administration from Columbia University in New York, USA in 1989.

Mr. Sivam Kandavanam, 60 years old, Malaysian, is concurrently a Director of MAI Sdn. Berhad and Pan Malaysian Sweeps Sdn. Bhd. He is an associate of the Institute of Chartered Accountants in England and Wales, and a Chartered Accountant of Malaysian Institute of Accountants and has over 25 years working experience in financial services. He has retired from the position Chief Financial Officer – Private Assets & Trusts of Usaha Tegas Sdn. Bhd. but continues as the Joint Treasurer of Malaysian Community & Education Foundation. Prior to joining Usaha Tegas, he was attached to Maika Holdings Berhad and KTM Distribution Sdn. Bhd. He resigned as Director of the Company on November 6, 2017.

Atty. Mark David P. Martinez, 37 years old, Filipino, joined the Company in October 2009 and was elected as director in August 2012. He was the Company's Corporate Counsel, Corporate Secretary, and Corporate Information Officer from 2012 until his resignation effective on June 15, 2017.

Atty. Mayette H. Tapia, 31 years old, Filipino, is currently the Company's Corporate Counsel, Corporate Secretary, and Corporate Information Officer starting September 4, 2017. She previously served as a General Counsel of a multinational company and as an associate lawyer at Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices. She is currently a member of the Association of Southeast Asian Nation (ASEAN) Law Association and corporate secretary of the San Beda Law Alumni Association Board of Trustees. She obtained her Bachelor of Laws degree from San Beda College of Law in Manila and became a member of the Integrated Bar of the Philippines on April 2013.

Atty. Ana Maria A. Katigbak, 49 years old, Filipino, is the Assistant Corporate Secretary of the Company and has held the position since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices and also acts as Director of Mabuhay Holdings, Inc. and Vulcan Industrial and Mining Corp., Corporate Secretary of Energy Development Corporation, and Assistant Corporate Secretary of Paxys Inc., Premiere Horizon Alliance Corporation and Solid Group, Inc. She is a member of the Integrated Bar of the Philippines.

Mr. Pablito O. Lim, 59 years old, is the Chief Financial Officer ("CFO") of the Group since 2013 and currently the Compliance Officer of the Company. He was the former CFO of Stellar Philippines, Inc. and Stellar Global Solutions Philippines, Inc. Prior to joining the Group, he was the CFO of Brightpoint Italy and served as an Audit Executive in Sycip Gorres Velayo & Co, a member of Ernst & Young. He is also concurrently a Director of some of the Company's subsidiaries such as Simpro Solutions Philippines, Inc, Scopeworks Asia, Inc., and Paxys Global Services, Inc. He is a Certified Public Accountant and attended the Executive Development Program and the Management Development Program at the Asian Institute of Management.

KEY EMPLOYEES

All the employees are considered important assets of the Company who collectively make significant contributions to the Company. The significant employees of the Company as at December 31, 2017 are as follows:

1. Mr. Tarcisio M. Medalla—Chairman and President
2. Atty. Mayette H. Tapia—Corporate Counsel, Corporate Secretary, and Corporate Information Officer *(effective September 4, 2017)*
3. Atty. Mark David P. Martinez – Corporate Counsel, Corporate Secretary and Corporate Information Officer *(resigned effective June 15, 2017)*
4. Mr. Pablito O. Lim—Chief Financial Officer and Compliance Officer

These key employees' details are exhaustively discussed in the first part of this Item 9.

Family Relationship
None of the directors and executive officers is related to each other by affinity or consanguinity.

Involvement in Certain Legal Proceedings
None of the directors and executive officers was involved during the past five years and as of date of this report in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Item 10. Executive Compensation

Year/ Top Highly Compensated Officers* *(Amounts in Million Pesos)*	Compensation and other benefits	Stock Options	Total
2017: Chairman and President, Corporate Legal Counsel, and Compliance Officer	₱18.7	₱-	₱18.7
2016: Chairman and President and Corporate Legal Counsel	11.4	-	11.4
2015: Chairman and President and Corporate Legal Counsel	11.4	-	11.4

**The Group has lean organizational structure. There are no other highly compensated officers other than the above. The names are shown in Item 9 part of this report.*

Per Diem fees, of the Group's executive officers and directors amounted to ₱1.02 million, ₱1.30 million and ₱1.30 million for the years ending December 31, 2017, 2016, and 2015, respectively.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no agreements between the registrant and its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the law.

Warrants and Options Outstanding: Repricing
Not applicable. The Company has no outstanding warrants and options.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2017 the Company has no knowledge of any individual or any party who beneficially owns in excess of 5% of Paxys common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	All Asia Customer Services Holdings, Ltd. (AACSHL) Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong	Expac Ltd. owns 100% of AACSHL. Paxys has neither corporate relationship nor information about Exac Ltd.	Hong Kong	630,844,038*	54.93%
Common	Paxys N.V.	Paxys, Inc. owns 100% equity of Paxys N.V.	Curaçao	345,622,477**	30.09%
Common	PCD Nominee Corp. G/F MSE Bldg., 6767 Ayala Ave., Makati City	Beneficial owners are the clients of the PCD participants' brokers. There are no beneficial owners owning more than 5% of the Registrant's capital stock.	Philippines	170,088,339	14.81%
			Total	**1,146,554,854**	**99.83%**

** This includes 9,583,218 lodged shares of AACSHL under PCD Nominee Corporation (Non-Filipino)*
*** The 345,622,477 shares of Paxys N.V. are currently lodged under PCD Nominee Corporation (Non-Filipino)*

Ownership Security of Management as of December 31, 2017:

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Citizenship	Percent of Class
Common	**Tarcisio M. Medalla** Chairman & President	1,120	Filipino	0.0001%
Common	**Christopher B. Maldia** Director	129,520	Filipino	0.0113%
Common	**Ghee Keong Lim** Director	82,800	Malaysian	0.0072%
Common	**Roger Leo A. Carino** Director	1,120	Filipino	0.0001%
Common	**Roberto A. Atendido** Director	1,000	Filipino	0.0001%
Common	**George Y. SyCip** Independent Director	1,120	American	0.0001%
Common	**Jose Antonio A. Lichauco** Independent Director	1,120	Filipino	0.0001%
Common	**Mayette H. Tapia** Corporate Secretary/ CIO	0	Filipino	-
Common	**Ana Maria A. Katigbak** Assistant Corporate Secretary	0	Filipino	-
Common	**Pablito O. Lim** Compliance Officer	0	Filipino	-
	Total	**₱217,800**		**0.0189%**

The shareholdings of the above-named directors and officers aggregate to 217,800 shares or 0.0189% of the outstanding capital stock of the Company.

As reported in the Public Ownership Report as of December 31, 2017, 171,850,551 common shares are held by public shareholders, which is approximately 14.96% of the total issued and outstanding shares. The Company is compliant with the 10% minimum public ownership rule.

Voting Trust Holder of 5% or more

There are no voting trust agreements or any other similar agreement which may result in a change in control of the Company of which the Company has any knowledge.

Changes in control

No change in control of the Registrant has occurred since the previous fiscal year.

Item 12. Certain Relationships and Related Transactions

Except from those mentioned in **Item 1 (viii),** there has been no transaction during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 10% of the Company's voting securities, or voting trust holder of 10% or more of any class of the Company's securities, or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the

Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

PART V.
CORPORATE GOVERNANCE
(Please refer to the Company's I-ACGR)

This will be exhaustively discussed in the Integrated Annual Corporate Governance Report of the Group (I-ACGR).

Pursuant to SEC Memorandum Circular No. 15, Series of 2017, publicly-listed are mandated to provide disclosure on compliance/non-compliance with the recommendations provided under the Code of Corporate Governance requirements of the Securities and Exchange Commission and the Philippine Stock Exchange through the I-ACGR. The I-ACGR will be published and disclosed to the PSE on or before May 30, 2018.

PART VI.
EXHIBITS AND SCHEDULES
(Please refer to the following attachments)

Exhibit A - Report on SEC Form 17-C;
Exhibit B – Directors' Attendance of Board Meetings for the year 2017
Exhibit C – Audited Financial Statements as at December 31, 2017

PART VII.
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

(The following schedules form part of the Supplementary Schedules attached in the Audited Consolidated Financial Statements as at and for the year ending December 31, 2017, 2016 and 2015)

Item 14 – Supplementary Schedules required by Annex 68-E
Item 15 – Reconciliation of Retained Earnings Available for Dividend Declaration
Item 16 – Schedule of Effective Standards and Interpretations
Item 17 – Map of the relationships of the Companies within the Group

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in the City of Makati on April 11, 2018

Issued By:
PAXYS, INC.

TARCISIO M. MEDALLA
Chairman & President

MAYETTE H. TAPIA
Corporate Secretary

APR 1 1 2018

SUBSCRIBED AND SWORN to before me this ________day of PASAY CITY 2017 affiant(s) exhibiting to me their Passport Nos., as follows:

NAMES	PASSPORT No.	VALID UNTIL	PLACE OF ISSUE
Tarcisio M. Medalla	EB9971636	January 12, 2019	Manila, Philippines
Mayette H. Tapia	EC1939186	August 20, 2019	Manila, Philippines

NOTARY PUBLIC
Doc. No. 117;
Page No. 25;
Book No. 02;
Series of 2018.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF PASAY
UNTIL DECEMBER 31, 2018
NOTARIAL COMMISSION 17-25
KNIGHT OF RIZAL BLDG.,
GROUND FLOOR BESIDE PASAY CITY HALL
IBP NO. 022811 / 01/05/2018 PASIG
PTR NO. 5826669 / 01/05/2018 P.C.
MCLE COMPLIANCE NO. [illegible] - 4/14/2022
ROLL OF ATTOR. [illegible]
TIN: 172-[illegible]

Exhibit A

Reports on SEC Form 17-C

Date Filed	Items Reported
4 January 2017	The Company submitted the Directors' Attendance for 2016.
14 February 2017	The Company provided the Exchange a copy of its written statement submitted to the Capital Markets Integrity Corporation regarding the unusual price movement which was observed on 13 February 2017.
31 March 2017	The Company submitted the Corporate Governance Guidelines for Listed Companies.
8 May 2017	The Company informed the Exchange that the annual meeting of the stockholders of Paxys, Inc. for the year 2017, which is scheduled to be held on any day in May, has been postponed to a later date. The purpose of the postponement is to provide the Board and management of Paxys with greater opportunity in determining the Company's strategic direction.
22 May 2017	The Company informed the Exchange that Atty. Mark David P. Martinez, a Direct, Corporate Secretary, and Corporate Information and Compliance Officer of the Company, has resigned effective 15 June 2017 to pursue other endeavors.
11 August 2017	The Company informed the Exchange that the scheduled annual meeting of the stockholders of Paxys Inc. is on 6 December 2017 at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City.
28 September 2017	The Company submitted a copy of Ms. Ana Maria A. Katigbak's Certificate of Attendance issued by the Institute of Corporate Directors for the Corporate Governance Training Program she attended on 6 September 2017 at 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City
7 November 2017	The Company informed the Exchange of the approval of the Board of the amendment of Article Six of the Corporation's Articles of Incorporation, the acceptance of Director Sivam Kandavanam's resignation, and the appointments of Atty. Mayette H. Tapia as Corporate Secretary and Corporate Information Officer and Mr. Pablito O. Lim as Compliance Officer of the Company.
7 November 2017	The Company informed the Exchange of the Agenda (Details and Rationale) for the Annual Stockholders meeting on 6 December 2017.
7 November 2017	The Company provided the Exchange with the certified list of shareholders of Paxys, Inc. as of 28 October 2017, the record date of our Annual Stockholders' Meeting, which was scheduled on 6 December 2017.
23 November 2017	The Company submitted the 2017 certificate if attendance of Atty. Mayette H. Tapia on the 4th SEC-PSE Corporat Governance Forum issued on 22

Date Filed	Items Reported
	November 2017.
7 December 2017	The Company informed the Exchange the result of the Annual Stockholders' Meeting held on 6 December 2017.
7 December 2017	The Company submitted to the Exchange the Certificate of Independent Directors of Mr. Jose Antonio A. Lichauco and George Y. Sycip.
12 December 2017	The Company submitted to the Exchange the certificates of completion for the Directors and Officers of Paxys, Inc. held on 8 December 2017 at Paxys' Board Room, 6750 Ayala Office Tower, Ayala Avenue, Makati City and conducted by Risks Opportunities, Assessment and Management (ROAM), Inc.
20 December 2017	The Company provided the Exchange a copy of its written statement submitted to the Capital Markets Integrity Corporation regarding the unusual price movement which was observed on 19 December 2017.

Exhibit B

PAXYS INC.
DIRECTORS' ATTENDANCE OF BOARD MEETINGS FOR THE YEAR 2017

Name of Directors	RM 20 March 2017	RM 5 May 2017	RM 10 August 2017	RM 6 Nov. 2017	OM 6 Dec. 2017	RM 8 Dec. 2017
Tarcisio M. Medalla	✓	✓	✓	✓	✓	✓
Roger Leo A. Cariño	✓	✓	✓	✓	A	✓
Roberto A. Atendido	✓	✓	✓	A	✓	✓
Christopher B. Maldia	✓	✓	✓	✓	✓	✓
Jose Antonio A. Lichauco	✓	✓	✓	✓	✓	✓
Lim Ghee Keong	✓	✓	✓	A	A	✓
Sivam Kandavanam	A	✓	✓	R	N.A.	N.A.
George Y. Sycip	✓	✓	✓	✓	✓	✓
Mark David P. Martinez	✓	✓	R	N.A.	N.A.	N.A.

Legend:

✓	-	Present
A	-	Absent
R	-	Resigned
RM	-	Regular Board Meeting
OM	-	Organizational Board Meeting
N.A.	-	Not Applicable

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

6609

COMPANY NAME

PAXYS, INC. AND SUBSIDIARIES

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

15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	(632) 250-3800	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
716	December 6	December 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
Mayette H. Tapia	mayette.tapia@paxys.com	(632) 250-3800	–

CONTACT PERSON'S ADDRESS

15th Floor, 6750 Ayala Office Tower, Ayala Avenue, 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 shall not excuse the corporation from liability for its deficiencies.*

PAXYS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Paxys, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, including the schedules attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Tarcisio M. Medalla
Chairman of the Board and President

Pablito O. Lim
Chief Financial Officer

Signed this 27th day of March 2018

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

BEFORE ME personally appeared APR 06 2018

NAME IDENTIFICATION NUMBER DATE/PLACE ISSUED

Known to me and to me known to be the same persons who executed The foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed

DOC. NO. 318
PAGE NO. 65
BOOK NO. 306
SERIES OF 2018

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP O.R No.706762/LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607619- JAN 03, 2018
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

15th Floor • 6750 Ayala Office Tower
Ayala Avenue, Makati City, Philippines 1226
Tel No. (02) 250-3800 • Fax No. (02) 250-3801
www.paxys.com

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8741 Paseo de Roxas
Makati City 1226 Philippines
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Fax +632 982 9111
Website www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Paxys, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and their consolidated financial performance and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Accounting for Financial Assets
The Group has significant amount of financial assets, which consist of cash equivalents, available-for-sale financial assets and held-to-maturity investments. This is significant to our audit because the aggregate balance of financial assets amounting to ₱3,561.3 million as at December 31, 2017 is substantial in relation to the consolidated financial statements as a whole. Necessary disclosures are included in Note 5, *Cash and Cash Equivalents* and Note 6, *Available-for-Sale Financial Assets and Held-to-Maturity Securities*.

We have assessed the propriety of recognition, classification and measurement, as well as management's assessment of impairment of financial assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

March 27, 2018
Makati City, Metro Manila

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱2,758,529**	₱2,856,866
Available-for-sale financial assets	6	**814,982**	231,560
Held-to-maturity investments	6	**100,175**	581,388
Trade and other receivables	7	**53,643**	45,122
Other current assets	8	**14,871**	13,504
Total Current Assets		**3,742,200**	3,728,440
Noncurrent Assets			
Property and equipment	10	**1,681**	2,340
Intangible assets	11	**420**	718
Other noncurrent assets	12	**11,294**	11,435
Total Noncurrent Assets		**13,395**	14,493
		₱3,755,595	₱3,742,933
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	**₱26,502**	₱33,644
Income tax payable		**190**	586
Total Current Liabilities		**26,692**	34,230
Noncurrent Liability			
Retirement liability	14	**4,064**	5,258
Total Liabilities		**30,756**	39,488
Equity	15		
Capital stock		**1,148,535**	1,148,535
Additional paid-in capital		**451,364**	451,364
Parent shares held by a subsidiary		**(1,149,886)**	(1,149,886)
Other equity reserves		**405,598**	386,158
Retained earnings		**2,869,228**	2,867,274
Total Equity		**3,724,839**	3,703,445
		₱3,755,595	₱3,742,933

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands, except Basic/Diluted Loss per Share

		Years Ended December 31		
	Note	**2017**	2016	2015
SERVICE INCOME		**₱79,205**	₱92,073	₱134,700
COST OF SERVICES	17	**(66,521)**	(79,815)	(118,933)
GROSS PROFIT		**12,684**	12,258	15,767
GENERAL AND ADMINISTRATIVE EXPENSES	18	**(85,826)**	(77,328)	(79,608)
INTEREST INCOME	5	**74,927**	66,766	43,253
NET FOREIGN EXCHANGE GAIN		**321**	5,135	4,083
OTHER INCOME - Net	20	**5,425**	10,790	8,170
INCOME (LOSS) BEFORE INCOME TAX		**7,531**	17,621	(8,335)
INCOME TAX EXPENSE (BENEFIT)	21			
Current		**6,080**	5,791	4,234
Deferred		**(503)**	–	–
		5,577	5,791	4,234
NET INCOME (LOSS)		**1,954**	11,830	(12,569)
OTHER COMPREHENSIVE INCOME				
Items to be reclassified to profit or loss				
Translation gain		**10,275**	136,858	118,402
Net fair value changes of available-for-sale financial assets	6	**6,945**	10,118	(4,404)
Item not to be reclassified to profit or loss				
Remeasurement gain on retirement liability	14	**2,220**	1,236	3,430
		19,440	148,212	117,428
TOTAL COMPREHENSIVE INCOME		**₱21,394**	₱160,042	₱104,859
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	22	**₱0.002**	₱0.015	(₱0.016)

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in Thousands

		Years Ended December 31		
	Note	**2017**	2016	2015
CAPITAL STOCK	15			
Balance at beginning and end of year		**₱1,148,535**	₱1,148,535	₱1,148,535
ADDITIONAL PAID-IN CAPITAL	15			
Balance at beginning and end of year		**451,364**	451,364	451,364
PARENT SHARES HELD BY A SUBSIDIARY	15			
Balance at beginning and end of year		**(1,149,886)**	(1,149,886)	(1,149,886)
OTHER EQUITY RESERVES				
Cumulative Translation Adjustment				
Balance at beginning of year		**374,827**	237,969	119,567
Translation gain		**10,275**	136,858	118,402
Balance at end of year		**385,102**	374,827	237,969
Fair Value Changes of Available-for-Sale Financial Assets	6			
Balance at beginning of year		**7,820**	(2,298)	2,106
Net unrealized gain (loss)		**6,945**	10,118	(4,404)
Balance at end of year		**14,765**	7,820	(2,298)
Cumulative Remeasurement Gain (Loss) on Retirement Liability	14			
Balance at beginning of year		**3,511**	2,275	(1,155)
Remeasurement gain		**2,220**	1,236	3,430
Balance at end of year		**5,731**	3,511	2,275
		405,598	386,158	237,946
RETAINED EARNINGS	15			
Balance at beginning of year		**2,867,274**	2,855,444	2,868,013
Net income (loss)		**1,954**	11,830	(12,569)
Balance at end of year		**2,869,228**	2,867,274	2,855,444
		₱3,724,839	₱3,703,445	₱3,543,403

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Thousands

	Note	Years Ended December 31 2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱7,531**	₱17,621	(₱8,335)
Adjustments for:				
Interest income	5	**(74,927)**	(66,766)	(43,253)
Provision for impairment losses on:				
Trade and other receivables	18	**13,151**	15,228	10,576
Input value-added tax	18	**2,409**	1,127	2,448
Reversal of payables	20	**(3,743)**	(10,166)	–
Depreciation and amortization	10	**1,462**	2,118	4,493
Net retirement benefits (gain)	14	**1,026**	381	(905)
Gain on disposal of property and equipment	20	**(357)**	–	(982)
Net unrealized foreign exchange (gain) loss		**89**	(5,135)	(4,083)
Gain on redemption of available-for-sale financial assets	20	**(53)**	(2,798)	(900)
Write-off of nontrade receivable	20	**–**	4,566	–
Operating loss before working capital changes		**(53,412)**	(43,824)	(40,941)
Decrease (increase) in:				
Trade and other receivables		**(16,135)**	3,297	5,275
Other current assets		**(3,776)**	(3,029)	(5,203)
Other noncurrent assets		**141**	472	(37)
Decrease in:				
Trade and other payables		**(3,399)**	(755)	(3,150)
Refundable deposit		**–**	(605)	–
Net cash used for operations		**(76,581)**	(44,444)	(44,056)
Interest received		**69,390**	69,895	31,913
Income taxes paid		**(5,973)**	(5,650)	(4,454)
Retirement benefits paid	14	**–**	(71)	–
Net cash provided by (used in) operating activities		**(13,164)**	19,730	(16,597)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Available-for-sale financial assets		**(626,653)**	–	(248,200)
Held-to-maturity investments	6	**(100,175)**	(706,432)	(135,905)
Property and equipment	10	**(362)**	(444)	(1,039)
Intangible assets	11	**(143)**	(602)	(188)
Proceeds from:				
Redemption of:				
Held-to-maturity investments	6	**581,388**	260,949	–
Available-for-sale financial assets	6	**50,229**	161,417	50,990
Disposal of property and equipment		**357**	–	982
Net cash used in investing activities		**(95,359)**	(285,112)	(333,360)

(Forward)

	Note	2017	2016	2015
		Years Ended December 31		
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(₱108,523)**	(₱265,382)	(₱349,957)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**10,186**	141,993	122,487
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,856,866**	2,980,255	3,207,725
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱2,758,529**	₱2,856,866	₱2,980,255

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Paxys, Inc. (Paxys or the Parent Company) is an investment holding company incorporated in the Philippines and listed (stock symbol: PAX) in the Philippine Stock Exchange (PSE). The Company was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. The corporate life of the Company was extended for another 50 years until February 14, 2052.

As at December 31, 2017 and 2016, the major shareholders of the Parent Company are All Asia Customer Services Holdings Ltd (AACSHL), a company incorporated in Hong Kong, and Paxys N.V., a wholly owned subsidiary of the Parent Company, with 54.93% and 30.09% equity interest, respectively.

At present, Scopeworks Asia, Inc. (SWA), the operating subsidiary, provides general transcription, data conversion, contact center, and other outsourcing services (see Note 2).

The Parent Company and its subsidiaries are collectively referred to as the Group.

The registered office address of the Parent Company is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on March 27, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company. All amounts are rounded to the nearest thousands, unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

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 transaction date.

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 and/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 market 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 year.

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 discussed in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes to consolidated financial statements:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 24 - Financial Instruments

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective on January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

- Amendment to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS in Issue But Not Yet Effective
Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and condition of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Effective for annual periods beginning January 1, 2019:

- PFRS 16, *Leases* – The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides requirements in addition to those set in PAS 12, *Income Taxes,* by specifying how to determine the accounting tax position when there is uncertainty over tax treatments. It requires an entity to (a) determine whether uncertain tax positions are assessed separately or as a group, and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. Otherwise, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures - Sale* or *Contribution of Assets Between an Investor and its Associate* or *Joint Venture* – The amendments address a current conflict between the two standards and clarify that gain or loss should 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, is now deferred indefinitely until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group, except for PFRS 9 and 16. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Group is assessing the impact of PFRS 9 and 16 on the consolidated financial statements based on the facts and circumstances that exist as at December 31, 2017. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, which it controls as at December 31 of each year. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

The wholly owned subsidiaries of the Parent Company are as follows:

	Line of Business	Principal Place of Business
Paxys N.V.	Investment holding	Curacao
Paxys Ltd.	Investment holding	Hong Kong
SWA	Data conversion	Philippines
Paxys Realty, Inc. (formerly Paxys Global Services, Inc.)(PRI)*	Real estate	Philippines
Paxys Global Services Pte. Ltd. (PGSPL)*	Business process outsourcing	Singapore
Regional Operating Headquarters of PGSPL (PGS ROHQ)*	Shared services	Philippines

* *PRI, PGSPL and PGS ROHQ are currently nat in operations.*

On November 27, 2017, the BOD of PRI approved the change of its corporate name and its primary purpose from business process outsourcing to real estate business. This was subsequently approved by the SEC on February 6, 2018. PRI has not yet started its real estate operations as at the date of the report.

Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity, and items include in the separate financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except Paxys N.V. and Paxys Ltd., is the Philippine Peso. The functional currency of Paxys N.V. and Paxys Ltd. is the United States Dollar (US$). As at reporting date, the assets and liabilities of Paxys N.V. and Paxys Ltd. are translated into the functional and presentation currency of the Parent Company (the Philippine Peso) at the rate of exchange ruling at financial reporting date and, the profit and loss are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to "Cumulative translation adjustment," a separate component of equity included as part of "Other equity reserves."

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of equity interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a 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 arrangements; or
- 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.

The separate financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position;

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. The remaining equity interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture;

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are recognized as expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the year by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting should be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting should be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized should be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial Recognition. Financial assets and liabilities are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments classified as fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a "Day 1" difference amount.

Classification. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized in profit or loss. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Group classifies its financial assets into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities.

The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market. The Group determines the classification of the financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group does not have financial instruments classified as financial assets or liabilities at FVPL as at December 31, 2017 and 2016.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the positive intention and ability to hold to maturity. When the Group sells more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category is tainted and should be reclassified as AFS financial assets.

After initial recognition, HTM investments are subsequently measured at amortized cost using the effective interest method, less allowance for any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is recognized in profit or loss.

Investments in bonds are classified under this category.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. AFS financial assets are initially measured at fair value plus incremental direct transaction costs. The unrealized gains and losses arising from the fair valuation of AFS financial assets, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest, are excluded from earnings recognized in profit or loss, and are recognized as other comprehensive income in the consolidated statement of comprehensive income and in the equity section of the consolidated statement of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity are included in profit or loss.

Where the Group holds more than one investment in the same security, these are deemed to be disposed on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

The Group has classified its quoted debt and equity investments as AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment losses in value. Any interest earned on loans and receivables is recognized as part of "Interest income" in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization, included as part of "Interest income," under consolidated statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes cash on hand and in banks, cash equivalents, trade and other receivables and rental and security deposits (included in "Other noncurrent assets" account in the consolidated statement of financial position).

Cash equivalents are short-term, highly liquid placements that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Trade and other receivables include trade receivables, due from related parties, nontrade receivables, accrued interest, advances to officers and employees and other receivables.

Other Financial Liabilities. Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

The Group has classified trade and other payables (excluding statutory liabilities) as other financial liabilities at amortized cost.

Impairment of Financial Assets
The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

a. Financial assets carried at amortized cost

   If there is objective evidence that an impairment loss on loans and receivables and HTM investments has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized in profit or loss.

   The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting year. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Loans and receivables and HTM investments, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

b. AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on the financial asset previously recognized in profit or loss, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the other comprehensive income presented in the consolidated statement of changes in equity.

Derecognition of Financial Assets and Liabilities

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

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

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

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 profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Other Current Assets

Other current assets, which consist of input value-added tax (VAT) and prepaid expenses, are carried at face value.

Prepaid Expenses. Prepaid expenses are expenses paid in advance and recorded as assets before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and recognized in profit or loss when incurred. Prepaid expenses that are expected to be realized within 12 months after the reporting year are classified as current assets. Otherwise, these are classified as other noncurrent assets.

VAT. Revenue, 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.

The net amount of VAT recoverable from the tax authority is included as part of "Other current assets" in the consolidated statement of financial position.

Investments in Joint Ventures

The Parent Company has interests in joint ventures, whereby the venturers have a contractual arrangement that establishes joint control. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognizing its share of further losses.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the investment may be impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount and recognizes the difference in profit or loss.

After the Group's investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not previously recognized.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year incurred.

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related asset or up to the date of the next major renovation, whichever is shorter.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives of the assets as follows:

Asset Type	Number of Years
Computer equipment	3 to 5
Communication equipment	3 to 5
Leasehold improvements	5 or lease term, whichever is shorter
Office furniture, fixtures and equipment	5
Transportation equipment	5

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method of property and equipment are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment are retained in the books until these are no longer being used in the operations.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and any impairment are derecognized. Gains and losses on disposals or retirement are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

Intangible Assets
Intangible assets are composed of the website and software packages.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are recognized in profit or loss in the year in which the expenditures are incurred.

Intangible assets are amortized over the estimated economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with finite lives are amortized over three to five years.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in economic life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying amount of investments in joint ventures, property and equipment, intangible assets and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful lives.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Parent Shares Held by a Subsidiary. Where any entity of the Group purchases the Parent Company's shares (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related tax effect, is included in equity.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Other Comprehensive Income

Other comprehensive income (loss) comprise items of income and expenses (including items previously presented as other equity reserves under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive income (loss), which are presented as "Other equity reserves," includes cumulative translation adjustment, fair value changes on AFS financial assets and cumulative remeasurement gain or loss on retirement liability.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

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

Service Income. Revenue is recognized as services are rendered.

Interest Income. Revenue is recognized as the interest accrues using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other Income. Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the year in the form of outflows, decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Cost of Services. Costs of services are recognized as expense when the related services are rendered.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business and cost incurred to sell and market the services. These expenses are recognized in profit or loss as incurred.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed by a qualified actuary.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and interest cost or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income (loss).

The retirement liability is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Termination Benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Leases where a significant portion of the risks and benefits of ownership over the leased properties are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership over the leased asset are classified as operating leases. Lease income is recognized as income on a straight-line basis over the lease terms.

The Group as a Lessee. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease terms.

Foreign Currencies

Transactions and Balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Foreign Operations. The assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange ruling at financial reporting date and, the profit and loss amounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to "Cumulative translation adjustment," a separate component of equity included as part of "Other equity reserves." Upon disposal of a foreign operation, the cumulative translation adjustment relating to that particular foreign operation is recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of reporting year 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 liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. Also, deferred tax liabilities are not provided on taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year 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 re-assessed at the end of each reporting year and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the end of reporting year.

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

Deferred tax relating to items recognized outside profit or loss (either in other comprehensive income or directly in equity) is recognized outside profit or loss (either in other comprehensive income or directly in equity).

Related Party Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Earnings (Loss) per Share

The Group presents basic and diluted earnings (loss) per share. Basic and diluted earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding parent shares held by a subsidiary.

There are no potential dilutive common shares as at December 31, 2017 and 2016.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The operating results of an operating segment are reviewed regularly by the chief operating decision maker, which is defined to be the Parent Company's BOD, to determine the resources to be allocated to the segment and assess its performance, and for which financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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 in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Year
Post year-end events that provide additional information about the Group's financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements when material. 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 consolidated financial statements requires the Group to exercise judgments, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

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

The Group believes the following represent a summary of significant judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next year, and related impact and associated risk in the consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management exercises judgment on the following items, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determining Functional Currency. Based on the economic substance of the underlying circumstances, the Group has determined that its functional currency is the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company and certain subsidiaries operate. It is the currency that mainly influences the sale of services and the costs of providing the services.

Determining Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment (see Note 4).

Recognizing Deferred Tax Liability on Undistributed Income of a Foreign Subsidiary. Since Paxys N.V., a company incorporated and domiciled in Curacao, is a wholly owned subsidiary of the Parent Company, management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company. Thus, no deferred tax liability was recognized on the undistributed income of Paxys N.V. Unrecognized deferred tax liability on undistributed income of a foreign subsidiary amounted to ₱893.0 million and ₱883.8 million as at December 31, 2017 and 2016, respectively (see Note 21).

Determining Classification of Lease Arrangements. Management exercises judgment in determining whether substantially all the significant risks and benefits over the ownership of the leased assets are retained by the Group. Lease contracts in which the Group retains substantially all the risks and benefits incidental to ownership of the leased asset are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Group, as a lessee, has an existing lease agreement with a third party covering a warehouse and office space, where it has determined that the risks and benefits over the ownership of the leased properties are retained by the lessors. Accordingly, these lease agreements are accounted for as operating leases.

Rent expense amounted to ₱13.0 million, ₱12.0 million and ₱15.6 million in 2017, 2016 and 2015, respectively (see Note 23).

The Group, as a lessor, has sublease agreements with third parties over its office space, where it has determined that the risks and benefits over the ownership of the properties are retained by the Group. Accordingly, these lease agreements are accounted for as operating leases.

Rent income included under "Other income" account amounted to ₱0.9 million, ₱1.3 million and ₱6.2 million in 2017, 2016 and 2015, respectively (see Note 23).

Evaluating Contingencies. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

Estimates and Assumptions

The key assumptions concerning future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Determining Fair Value of Financial Instruments. Certain financial assets and liabilities are carried at fair value. When the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair values of financial assets and liabilities are presented in Note 24.

Assessing Impairment of AFS Financial Assets. The Group determines when an asset is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The Group considers AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its costs or where there are objective evidence that impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Group considers “significant” generally as 20% or more of the original cost of investments, and “prolonged” as greater than six months. In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities. If assumptions are made regarding the duration and extent to which the fair value is less than cost, the Group would suffer an additional loss representing the write down of cost to its fair value.

No impairment losses were recognized for AFS financial assets in 2017, 2016 and 2015. AFS financial assets amounted to ₱815.0 million and ₱231.6 million as at December 31, 2017 and 2016, respectively (see Note 6).

Assessing Impairment of HTM Investments. The Group determines that HTM investments carried at amortized cost are impaired when the carrying amount exceeds its recoverable amount. The determination of the recoverable amount requires judgment. In making this judgment, the Group evaluates, among other factors, the future cash flows and the discount factor. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

No impairment losses on HTM investments were recognized in 2017, 2016 and 2015. The carrying amount of HTM investments amounted to ₱100.2 million and ₱581.4 million as at December 31, 2017 and 2016, respectively (see Note 6).

Estimating Impairment Losses on Receivables. The provision for impairment losses on receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total amount of impairment losses to be recognized. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, the Group applies judgment, in recording specific allowances against amounts due to reduce receivable amounts expected to be collected, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowances against amounts due to reduce receivable amounts expected to be collected. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is determined. The amount and timing of recorded expenses for any year could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for impairment losses on trade and other receivables would increase its recorded general and administrative expenses and decrease its current assets.

The carrying amount of trade and other receivables amounted to ₱53.6 million and ₱45.1 million as at December 31, 2017 and 2016, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱91.8 million and ₱78.7 million as at December 31, 2017 and 2016, respectively (see Note 7).

Assessing Impairment Losses on Input VAT. The provision for impairment losses on input VAT is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

The carrying amount of input VAT amounted to ₱13.8 million and ₱12.0 million as at December 31, 2017 and 2016, respectively (see Note 8). Allowance for impairment losses on input VAT amounted to ₱48.8 million and ₱46.4 million as at December 31, 2017 and 2016, respectively (see Note 8).

Estimating Useful Lives of Property and Equipment and Intangible Assets. The estimated useful life of each of the items of property and equipment and intangible assets is estimated based on the year over which the assets are expected to be available for use. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at each financial year end and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A change in the estimated useful life on property and equipment and intangible assets would impact the recorded expenses and noncurrent assets.

There is no change in the estimated useful lives of property and equipment and intangible assets in 2017 and 2016.

The carrying amount of property and equipment and intangible assets are as follows:

	Note	**2017**	2016
Property and equipment	10	**₱1,681**	₱2,340
Intangible assets	11	**420**	718

Assessing Impairment of Nonfinancial Assets. The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The carrying amount of nonfinancial assets that are subject to impairment assessment when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenue or other external indicators) are as follows:

	Note	**2017**	2016
Property and equipment	10	**₱1,681**	₱2,340
Intangible assets	11	**420**	718

Determining Retirement Liability. The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. The assumptions, which include among others, discount rate and rate of salary increase are described in Note 14.

Actual results that differ from the assumptions are accumulated and are recognized as part of other comprehensive income. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the retirement liability.

Retirement liability amounted to ₱4.1 million and ₱5.3 million as at December 31, 2017 and 2016, respectively (see Note 14). The net retirement benefits amounted to ₱1.0 million and ₱0.4 million in 2017 and 2016, respectively (see Note 14). Net retirement gain amounted to ₱0.9 million in 2015 (see Note 14).

Assessing Realizability of Deferred Tax Assets. The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets 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 income tax assets to be utilized.

Deferred tax assets as at December 31, 2017 and 2016 were not recognized because management believes that sufficient future taxable income may not be available against which the carry forward benefits of NOLCO, excess of MCIT over RCIT and other deductible temporary differences may be utilized. Unrecognized deferred tax assets amounted to ₱51.8 million and ₱44.6 million as at December 31, 2017 and 2016, respectively (see Note 21).

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different market.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, property and equipment and intangible assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Inter-segment Transactions. Segment revenue, segment expenses and segment performance include transfers among business segments. Such transfers are eliminated in consolidation.

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 income or loss and is measured consistently with operating income or loss in the consolidated financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. For management purposes, the Group is organized into business units based on the services rendered and has two reportable operating segments as follows:

- Data Conversion - This segment includes data transcription and scoping services, voice-to-screen message conversion and electronic data encoding and processing.

- Others - This segment includes holding and investments, which consists of the Parent Company and Paxys N.V., and the financial information of the non-operating subsidiaries.

Business Segment Information

The following table presents the revenue and expenses and certain assets and liabilities information of the Group's business segments as at and for the years ended December 31, 2017, 2016 and 2015:

	2017			
	Data Conversion	**Others**	**Eliminations**	**Consolidated**
Results of Operations				
Revenue from external customer	**₱79,205**	**₱–**	**₱–**	**₱79,205**
Cost and expenses	**(78,813)**	**(73,798)**	**264**	**(152,347)**
Operating income (loss)	**392**	**(73,798)**	**264**	**(73,142)**
Interest income	**357**	**74,570**	**–**	**74,927**
Net foreign exchange gain (loss)	**(242)**	**753**	**(190)**	**321**
Other income - net	**832**	**4,593**	**–**	**5,425**
Income tax expense	**(28)**	**(5,549)**	**–**	**(5,577)**
Net income	**₱1,311**	**₱569**	**₱74**	**₱1,954**
Assets and Liabilities				
Assets	**₱56,368**	**₱5,352,072**	**(₱1,652,845)**	**₱3,755,595**
Liabilities	**65,825**	**164,385**	**(199,454)**	**30,756**

(Forward)

	2017			
	Data Conversion	**Others**	**Eliminations**	**Consolidated**
Other Segment Information				
Capital expenditures:				
Property and equipment	**₱78**	**₱284**	**₱–**	**₱362**
Intangible assets	**132**	**11**	**–**	**143**
Depreciation and amortization	**1,295**	**167**	**–**	**1,462**

	2016			
	Data Conversion	Others	Eliminations	Consolidated
Results of Operations				
Revenue from external customer	₱92,073	₱–	₱–	₱92,073
Cost and expenses	(88,810)	(68,448)	115	(157,143)
Operating income (loss)	3,263	(68,448)	115	(65,070)
Interest income	250	66,516	–	66,766
Net foreign exchange gain	1,644	4,674	(1,183)	5,135
Other income - net	1,082	9,708	–	10,790
Income tax expense	(328)	(5,463)	–	(5,791)
Net income	₱5,911	₱6,987	(₱1,068)	₱11,830
Assets and Liabilities				
Assets	₱57,829	₱5,336,022	(₱1,650,918)	₱3,742,933
Liabilities	70,817	165,073	(196,402)	39,488
Other Segment Information				
Capital expenditures:				
Intangible assets	₱495	₱107	₱–	₱602
Property and equipment	305	139	–	444
Depreciation and amortization	1,418	700	–	2,118

	2015			
	Data Conversion	Others	Eliminations	Consolidated
Results of Operations				
Revenue from external customer	₱134,700	₱–	₱–	₱134,700
Cost and expenses	(140,573)	(89,337)	31,369	(198,541)
Operating loss	(5,873)	(89,337)	31,369	(63,841)
Interest income	116	43,137	–	43,253
Net foreign exchange gain	1,469	3,192	(578)	4,083
Other income	6,020	82,250	(80,100)	8,170
Income tax expense	(461)	(3,773)	–	(4,234)
Net income (loss)	₱1,271	₱35,469	(₱49,309)	(₱12,569)
Assets and Liabilities				
Assets	₱58,395	₱5,187,365	(₱1,650,558)	₱3,595,202
Liabilities	78,147	170,955	(197,303)	51,799
Other Segment Information				
Capital expenditures:				
Property and equipment	₱1,039	₱–	₱–	₱1,039
Intangible assets	188	–	–	188
Depreciation and amortization	1,788	2,705	–	4,493

The Data Conversion segment is managed and operated in the Philippines. Other reportable segments include funds invested in foreign corporate bonds and other short-term deposits from various banks. Interest income from these funds amounted to ₱47.1 million, ₱40.1 million and ₱24.6 million in 2017, 2016 and 2015, respectively.

Inter-segment revenue and expenses are eliminated upon consolidation and reflected in the "Eliminations" column.

The revenue from external customer pertain to services rendered by SWA to its client amounting to ₱79.2 million, ₱92.1 million and ₱134.7 million in 2017, 2016 and 2015, respectively.

5. Cash and Cash Equivalents

Cash and cash equivalents consists of:

	2017	2016
Cash on hand	**₱65**	₱55
Cash in banks	**112,307**	61,532
Cash equivalents	**2,646,157**	2,795,279
	₱2,758,529	₱2,856,866

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods up to 90 days depending on the immediate cash requirements of the Group. Cash equivalents earn interest at the short-term deposit rates.

Details of interest income are as follows:

	Note	**2017**	2016	2015
Cash and cash equivalents		**₱56,023**	₱53,603	₱39,396
AFS financial assets	6	**9,831**	4,701	848
HTM investments	6	**9,073**	8,462	3,009
		₱74,927	₱66,766	₱43,253

6. AFS Financial Assets / HTM Investments

AFS Financial Assets
This account consists of:

	2017	2016
Fixed income investment	**₱813,926**	₱231,560
Investments in Unit Investment Trust Fund (UITF)	**1,056**	–
	₱814,982	₱231,560

Fixed income investment consists of funds managed by various international banks with absolute return. Investments in UITF are managed by local banks.

The Group redeemed AFS financial assets with aggregate redemption price of ₱50.2 million, ₱161.4 million and ₱51.0 million in 2017, 2016 and 2015, respectively. Gain on the redemption amounted to ₱53 thousand, ₱2.8 million and ₱0.9 million in 2017, 2016 and 2015, respectively (see Note 20).

Details of fair value changes on AFS financial assets are as follows:

	2017	2016	2015
Balance at beginning of year	**₱7,820**	(₱2,298)	₱2,106
Net unrealized gain (loss) on fair value changes of AFS financial assets	**6,998**	12,916	(3,504)
Fair value gain on redemption of AFS financial assets recognized to profit or loss	**(53)**	(2,798)	(900)
Balance at end of year	**₱14,765**	₱7,820	(₱2,298)

Interest income on AFS financial assets amounted to ₱9.8 million, ₱4.7 million and ₱0.8 million in 2017, 2016 and 2015, respectively (see Note 5).

HTM Investments

As at December 31, 2017 and 2016, HTM investments pertaining to bonds purchased from international banks amounted to ₱100.2 million and ₱581.4 million, respectively. These will mature in varying dates in 2018.

Certain HTM investments amounting to ₱581.4 million and ₱260.9 million matured in 2017 and 2016, respectively.

Interest income amounted to ₱9.1 million, ₱8.5 million and ₱3.0 million in 2017, 2016 and 2015, respectively (see Note 5).

7. Trade and Other Receivables

This account consists of:

	Note	**2017**	2016
Due from related parties	16	**₱78,881**	₱61,879
Trade		**25,180**	27,461
Accrued interest		**21,133**	15,596
Others		**20,269**	18,855
		145,463	123,791
Allowance for impairment losses		**(91,820)**	(78,669)
		₱53,643	₱45,122

Trade receivables are noninterest-bearing and have average credit terms of 15 to 90 days.

Accrued interest on cash equivalents, AFS financial assets and HTM investments are collectible within one year.

Other receivables, which include advances to officers and employees, suppliers and other nontrade receivables, are noninterest-bearing and are normally settled within one year.

Movements in the allowance for impairment losses follow:

		2017			
	Note	**Trade Receivables**	**Due from Related Parties (see Note 16)**	**Others**	**Total**
Balance at beginning of year		**₱11,072**	**₱49,913**	**₱17,684**	**₱78,669**
Provision	18	**–**	**13,151**	**–**	**13,151**
Balance at end of year		**₱11,072**	**₱63,064**	**₱17,684**	**₱91,820**

		2016			
	Note	Trade Receivables	Due from Related Parties	Others	Total
Balance at beginning of year		₱11,053	₱38,337	₱14,051	₱63,441
Provision	18	19	15,209	–	15,228
Balance at end of year		₱11,072	₱53,546	₱14,051	₱78,669

8. Other Current Assets

This account consists of:

	2017	2016
Input VAT, net of allowance for impairment losses	**₱13,814**	₱11,953
Prepaid expenses	**1,057**	1,551
	₱14,871	₱13,504

The movements in the allowance for impairment losses on input VAT are as follows:

	Note	**2017**	2016
Balance at beginning of year		**₱46,384**	₱45,257
Provision	18	**2,409**	1,127
Balance at end of year		**₱48,793**	₱46,384

Prepaid expenses include prepaid rent, insurance, subscription, maintenance, taxes and licenses.

9. Investments in Joint Ventures

The following are the joint ventures of the Group as at December 31, 2017 and 2016:

	Place of Incorporation	Principal Activity	Percentage of Ownership
Paxys Global Services Dalian Ltd (PGS Dalian)	China	Call center	50.0%
Simpro Solutions Limited (SSL)	Hong Kong	Call center	50.0%

The investments in joint ventures are fully provided with allowance for impairment losses as at December 31, 2017 and 2016.

The Group has no outstanding commitments with the joint ventures as at December 31, 2017 and 2016. The joint ventures have no contingent liabilities or capital investments as at December 31, 2017 and 2016.

On March 15, 2017, Simpro Solutions Philippines, Inc., a wholly-owned subsidiary of SSL, shortened its corporate term for up to June 30, 2018 with the intention to eventually liquidate the Company.

10. Property and Equipment

Movements in this account are as follows:

	2017					
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	₱109,289	₱7,836	₱155,813	₱12,412	₱13,649	₱298,999
Additions	109	–	118	135	–	362
Retirement	(2,893)	(212)	–	(577)	–	(3,682)
Disposals	–	–	–	–	(2,937)	(2,937)
Balance at end of year	106,505	7,624	155,931	11,970	10,712	292,742
Accumulated Depreciation and Amortization						
Balance at beginning of year	108,928	7,836	155,293	11,462	13,140	296,659
Depreciation and amortization	269	–	219	325	208	1,021
Retirement	(2,893)	(212)	–	(577)	–	(3,682)
Disposals	–	–	–	–	(2,937)	(2,937)
Balance at end of year	106,304	7,624	155,512	11,210	10,411	291,061
Net Book Value	₱201	₱–	₱419	₱760	₱301	₱1,681

	2016					
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	₱109,168	₱7,836	₱161,610	₱12,089	₱13,649	₱304,352
Additions	121	–	–	323	–	444
Retirement	–	–	(5,797)	–	–	(5,797)
Balance at end of year	109,289	7,836	155,813	12,412	13,649	298,999
Accumulated Depreciation and Amortization						
Balance at beginning of year	108,592	7,836	160,849	11,177	12,928	301,382
Depreciation and amortization	336	–	241	285	212	1,074
Retirement	–	–	(5,797)	–	–	(5,797)
Balance at end of year	108,928	7,836	155,293	11,462	13,140	296,659
Net Book Value	₱361	₱–	₱520	₱950	₱509	₱2,340

In 2017 and 2015, the Company sold certain fully depreciated property and equipment, resulting to a gain of ₱0.4 million and ₱1.0 million, respectively (see Note 20).

Depreciation and amortization recognized consist of:

	Note	**2017**	2016	2015
Property and equipment		**₱1,021**	₱1,074	₱2,778
Intangible assets	11	**441**	1,044	1,715
		₱1,462	₱2,118	₱4,493

Depreciation and amortization are allocated as follows:

	Note	2017	2016	2015
Cost of services	17	**₱1,192**	₱1,202	₱1,368
General and administrative expenses	18	**270**	916	3,125
		₱1,462	₱2,118	₱4,493

As at December 31, 2017, 2016 and 2015, fully depreciated property and equipment with aggregate cost of ₱59.1 million, ₱71.9 million and ₱70.1 million, respectively, are still being used in the operations by the Group.

11. Intangible Assets

Movements in this account are as follows:

	Note	2017	2016
Cost			
Balance at beginning of year		**₱14,724**	₱14,122
Additions		**143**	602
Balance at end of year		**14,867**	14,724
Accumulated Amortization			
Balance at beginning of year		**14,006**	12,962
Amortization	10	**441**	1,044
Balance at end of year		**14,447**	14,006
Net Book Value		**₱420**	₱718

Intangible assets are software and licenses, which are amortized over three to five years.

12. Other Noncurrent Assets

This account consists of:

	Note	2017	2016
Rental and security deposits	23	**₱4,625**	₱4,764
Others		**6,669**	6,671
		₱11,294	₱11,435

Rental and security deposits pertain to cash deposits on lease agreements, which are refundable at the end of various lease periods (see Note 23).

13. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade		**₱1,766**	₱5,786
Statutory payables		**6,643**	6,482
Dividends	15	**6,554**	6,554
Accrued expenses:			
Salaries and wages		**2,996**	3,175
Professional fees		**2,827**	2,580
Taxes and licenses		**1,753**	2,353
Rent		**1,412**	787
Others		**2,143**	4,119
Nontrade		**408**	1,808
		₱26,502	₱33,644

Trade payables are noninterest-bearing and are normally settled on a 60-day term.

Statutory payables represent withholding taxes payable, SSS, HDMF and PhilHealth premiums, and other liabilities to the government agencies.

Accrued expenses are normally settled within 30 to 60 days.

14. Retirement Benefits

The Parent Company and SWA maintain separate unfunded, non-contributory, defined benefit plans covering all eligible employees. An independent actuary conducts an actuarial valuation of the retirement liability. The latest actuarial report was as at December 31, 2017.

The retirement benefits expense (gain) recognized in the consolidated statements of comprehensive income is as follows:

	Note	2017	2016	2015
Current service cost		**₱751**	₱1,266	₱214
Interest cost		**275**	288	71
Curtailment gain		**–**	(1,173)	(1,190)
	19	**₱1,026**	₱381	(₱905)

In 2016 and 2015, the Group incurred a curtailment gain due to a decrease in the number of employees covered.

The net cumulative remeasurement gain on retirement liability recognized as other comprehensive income follows:

	2017	2016	2015
Balance at beginning of year	**₱3,511**	₱2,275	(₱1,155)
Remeasurement gain	**2,220**	1,236	3,430
Balance at end of year	**₱5,731**	₱3,511	₱2,275

Changes in the present value of retirement liability are as follows:

	2017	2016
Balance at beginning of year	**₱5,258**	₱6,184
Remeasurement gain	**(2,220)**	(1,236)
Current service cost	**751**	1,266
Interest cost	**275**	288
Curtailment gain	**–**	(1,173)
Benefits paid	**–**	(71)
Balance at end of year	**₱4,064**	₱5,258

The principal assumptions used in determining the retirement liability are shown below:

	2017	2016
Discount rate	**5.70%**	5.38%
Salary increase rate	**2.00%**	3.50%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2017 is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	19.10%	₱318
	-15.55%	(258)
Salary Rate	18.10%	301
	-15.10%	(74)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit liability at the end of each 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 defined benefit liability was expressed as a percentage change from the base defined benefit liability.

As at December 31, 2017, undiscounted benefit payments amounting to ₱1.1 million have expected maturity of more than five years.

The average duration of the defined benefit obligation at the end of the reporting year is between 14 to 21 years.

15. Equity

Capital Stock

As at December 31, 2017 and 2016, this account consists of the following:

	Number of Shares	Amount
Common Stock "Class A" - ₱1 par value		
Authorized	1,800,000,000	₱1,800,000
Issued and outstanding -		
Balance at beginning and end of year	1,148,534,866	₱1,148,535

On March 22, 1971, the Parent Company's common shares with par value of ₱1 per share were listed with the PSE.

Parent Shares Held by a Subsidiary

In 2014, Paxys N.V., through a tender offer, completed the purchase of 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock for a total consideration of ₱1,149.9 million.

Additional Paid-in Capital

This account consists of:

Premium on issuance of shares of stock	₱348,213
Premium on forfeited stock option	103,151
	₱451,364

Premium on issuance of shares of stock represents the excess of paid-up capital over the par value of capital stock. Premium on forfeited stock option represents increase in equity arising from equity-settled share-based payment transactions.

Retained Earnings

Undistributed retained earnings of a foreign subsidiary amounting to ₱2,976.6 million and ₱2,946.0 million as at December 31, 2017 and 2016, respectively, are not available for dividend declaration until these are distributed by the subsidiary to the Parent Company.

Dividends payable of the Parent Company as at December 31, 2017 and 2016 amounted to ₱6.6 million, which pertain to dividends declared in prior years (see Note 13).

16. Related Party Transactions and Balances

In the normal course of business, the Group has transactions and balances with related parties pertaining to noninterest-bearing advances as follows:

Related Party	Year	Transactions during the Year	Due from Related Parties (see Note 7)
Joint Venture			
Simpro Solutions Philippines, Inc.*	**2017**	**₱–**	**₱11,105**
	2016	4,066	11,105
PGS Dalian	**2017**	**–**	**4,548**
	2016	–	4,548
Entities with Common Stockholders			
ACS Pacific Limited	**2017**	**17,027**	**60,987**
	2016	10,236	43,960
NGL/UT Global Services Limited	**2017**	**–**	**2,230**
	2016	375	2,255
Others	**2017**	**–**	**11**
	2016	–	11
	2017		**₱78,881**
	2016		61,879

** 50% effective interest through Simpro Solutions Limited.*

Outstanding balances are unsecured, noninterest-bearing with no fixed repayment terms and are normally settled in cash. No guarantees have been provided or received for these balances. Impairment assessment is undertaken each financial year.

Allowance for impairment losses related to these receivables amounted to ₱63.1 million and ₱49.9 million as at December 31, 2017 and 2016, respectively (see Note 7).

Compensation of Key Management Personnel of the Group

	2017	2016	2015
Salaries and wages	**₱18,072**	₱10,743	₱10,587
Other short-term benefits	**628**	629	780
	₱18,700	₱11,372	₱11,367

17. Cost of Services

This account consists of:

	Note	**2017**	2016	2015
Personnel cost	19	**₱42,233**	₱51,800	₱67,236
Outside services		**6,315**	9,620	18,021
Rent	23	**5,694**	5,398	10,246
Utilities		**3,445**	3,477	6,531
Security and janitorial services		**2,645**	2,248	3,911

(Forward)

	Note	2017	2016	2015
Communication		**₱2,084**	₱2,662	₱4,811
Depreciation and amortization	10	**1,192**	1,202	1,368
Supplies		**415**	585	1,015
Association dues		**45**	45	2,170
Others		**2,453**	2,778	3,624
		₱66,521	₱79,815	₱118,933

18. **General and Administrative Expenses**

This account consists of:

	Note	2017	2016	2015
Professional fees		**₱29,827**	₱19,989	₱19,372
Personnel cost	19	**14,010**	14,821	17,120
Provision for impairment losses on:				
Trade and other receivables	7	**13,151**	15,228	10,576
Input VAT	8	**2,409**	1,127	2,448
Rent	23	**7,318**	6,638	5,352
Insurance		**2,721**	2,742	2,743
Utilities		**2,252**	2,164	1,997
Bank charges		**2,205**	1,008	3,368
Transportation and travel		**2,067**	2,296	1,756
Communication		**1,745**	2,691	5,107
Security and janitorial services		**1,522**	1,495	1,399
Entertainment, amusement and recreation		**1,315**	1,112	998
Recruitment expenses		**1,264**	25	21
Taxes and licenses		**947**	1,141	1,431
Repairs and maintenance		**650**	693	780
Depreciation and amortization	10	**270**	916	3,125
Others		**2,153**	3,242	2,015
		₱85,826	₱77,328	₱79,608

19. **Personnel Costs**

This account consists of:

	Note	2017	2016	2015
Salaries, wages and allowances		**₱45,931**	₱52,483	₱67,820
Trainings		**1,528**	1,268	1,215
Net retirement benefits (gain)	14	**1,026**	381	(905)
Other employee benefits		**7,758**	12,489	16,226
		₱56,243	₱66,621	₱84,356

Other employee benefits pertain to statutory contributions, incentives, health care and insurance benefits, and other benefits granted to employees.

Personnel costs are classified as follows:

	Note	2017	2016	2015
Cost of services	17	**₱42,233**	₱51,800	₱67,236
General and administrative expenses	18	**14,010**	14,821	17,120
		₱56,243	₱66,621	₱84,356

20. **Other Income** - Net

This account consists of:

	Note	2017	2016	2015
Reversal of payables		**₱3,743**	₱10,166	₱–
Rent	23	**859**	1,311	6,184
Gain on disposal of property and equipment	10	**357**	–	982
Gain on redemption of AFS financial assets	6	**53**	2,798	900
Write-off of nontrade receivable	7	**–**	(4,566)	–
Others - net		**413**	1,081	104
		₱5,425	₱10,790	₱8,170

In 2016, the Company wrote off ₱4.6 million of long-outstanding receivables following the full settlement of outstanding receivable.

21. **Income Tax**

a. The components of current income tax expense as presented in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Final tax	**₱5,384**	₱5,164	₱3,594
RCIT	**503**	–	–
MCIT	**193**	627	515
Special tax	**–**	–	125
	₱6,080	₱5,791	₱4,234

b. The reconciliation of income tax expense (benefit) computed at statutory tax rate and income tax expense as shown in the consolidated statements of comprehensive income is as follows:

	2017	2016	2015
Income tax expense (benefit) at statutory income tax rate	**₱2,312**	₱5,310	(₱2,483)
Income tax effects of:			
Nontaxable income	**(14,342)**	(12,565)	(10,448)
Expired NOLCO	**6,649**	13,852	17,641
Nondeductible expenses	**6,216**	2,174	13,909
Interest income subjected to final tax	**(2,953)**	(2,846)	(2,006)
Net changes in unrecognized net deferred tax assets	**7,118**	(1,133)	(14,367)
Expired MCIT	**577**	999	1,988
Applied MCIT	**503**	–	–
	₱6,080	₱5,791	₱4,234

c. Details of unrecognized net deferred tax assets relating to NOLCO, MCIT and other temporary differences are as follows:

	2017	2016
NOLCO	**₱34,555**	₱28,542
Allowance for impairment losses on receivables and input VAT	**12,893**	12,893
Retirement liability	**4,014**	3,706
Unrealized foreign exchange gain	**(1,414)**	(2,917)
Excess MCIT over RCIT	**1,136**	2,023
Accruals and provision	**583**	402
	₱51,767	₱44,649

Management has assessed that sufficient future taxable income may not be available against which the carry forward benefits of NOLCO, excess MCIT over RCIT and other deductible temporary differences may be utilized.

As at December 31, 2017 and 2016, the Group did not recognize deferred tax liability on undistributed income of Paxys N.V., a wholly owned subsidiary of the Parent Company, amounting to ₱893.0 million and ₱883.8 million, respectively. Management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company.

d. Details of carry forward benefits arising from NOLCO and excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance as at December 31, 2016	Additions	Expired	Balance as at December 31, 2017	Available Until
2014	₱22,165	₱–	(₱22,165)	₱–	2017
2015	36,821	–	–	36,821	2018
2016	36,454	–	–	36,454	2019
2017	–	42,230	–	42,230	2020
	₱95,440	₱42,230	(₱22,165)	₱115,505	

MCIT

Year Incurred	Balance as at December 31, 2016	Additions (Applied)	Expired	Balance as at December 31, 2017	Available Until
2014	₱1,080	(₱503)	(₱577)	₱–	2017
2015	515	–	–	515	2018
2016	428	–	–	428	2019
2017	–	193	–	193	2020
	₱2,023	(₱310)	(₱577)	₱1,136	

22. Earnings (Loss) per Share

Basic/diluted earnings (loss) per share are computed as follows:

	Note	**2017**	2016	2015
Net income (loss) (a)		**₱1,954**	₱11,830	(₱12,569)
Issued and outstanding shares	15	**1,148,535**	1,148,535	1,148,535
Parent shares held by a subsidiary	15	**(345,622)**	(345,622)	(345,622)
Number of shares issued and outstanding (b)		**802,913**	802,913	802,913
Basic/diluted earnings (loss) per share (a/b)		**₱0.002**	₱0.015	(₱0.016)

There are no potential dilutive common shares as at December 31, 2017 and 2016.

23. Lease Commitments

a. The Group as a Lessee

i. The Parent Company has an existing lease agreement with a third party for the lease of office space until April 30, 2021. The lease is renewable upon mutual consent of the parties.

ii. SWA has an existing non-cancellable five-year agreement with a third party for the lease of a warehouse and an open space as extended until December 31, 2019. The monthly rent is subject to annual escalation of 5% beginning in 2015. As at December 31, 2017 and 2016, refundable security deposit amounted to ₱1.4 million and ₱1.3 million, respectively.

Outstanding rental and security deposits on lease commitments, presented under "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱4.6 million and ₱4.8 million as at December 31, 2017 and 2016 (see Note 12). The rental and security deposits are either refundable in cash or will be applied against unpaid rental upon termination of lease agreements.

Rent expense is allocated as follows:

	Note	**2017**	2016	2015
General and administrative expenses	18	**₱7,318**	₱6,638	₱5,352
Cost of services	17	**5,694**	5,398	10,246
		₱13,012	₱12,036	₱15,598

The future minimum lease payments under noncancellable operating leases are as follows:

	2017	2016
Within one year	**₱12,099**	₱11,522
After one year but not more than five years	**22,761**	34,860
	₱34,860	₱46,382

b. The Group as a Lessor

i. The Parent Company subleases a portion of its office space to third parties for a period of six months to one year.

ii. SWA had a sublease agreement with third parties for the office space in the Citibank Centre Condominium for a period of two years until December 31, 2015. The Company did not renew the sublease agreement. Security deposits amounting to ₱604,733 were refunded in 2016.

Rent income amounted to ₱0.9 million, ₱1.3 million and ₱6.2 million in 2017, 2016 and 2015, respectively (see Note 20).

24. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS financial assets, HTM investments, trade and other receivables, and trade and other payables, which arise directly from the operations. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Foreign Currency Risk

The Group has transactional currency exposure. The exposure arises from services denominated in US$. Service income of SWA is denominated in US$ for the years ended December 31, 2017 and 2016. As a result, the Group's consolidated financial performance and financial position can be affected significantly by movements in the US$ to Philippine Peso exchange rate.

The following rates of exchange have been used by the Group in translating foreign currency transactions.

	2017		2016	
	Closing	Average	Closing	Average
Philippine Peso to 1 unit of US$	**₱49.93**	**₱50.40**	₱49.72	₱47.50

As at December 31, 2017 and 2016, the significant foreign currency-denominated monetary assets are as follows:

	2017		2016	
	In US$	**Philippine Peso Equivalent**	In US$	Philippine Peso Equivalent
Cash and cash equivalents	**US$37,398**	**₱1,867,287**	US$37,000	₱1,839,656
Trade and other receivables	**512**	**25,575**	306	15,214
AFS financial assets	**14,118**	**704,925**	4,657	231,560
HTM investments	**2,006**	**100,175**	11,693	581,388
Foreign currency-denominated monetary assets	**US$54,034**	**₱2,697,962**	US$53,656	₱2,667,818

The following table demonstrates the sensitivity to a reasonably possible change in US$ exchange rates to Philippine Peso with all other variables held constant, of the income (loss) before income tax (due to changes in the fair value of financial assets and liabilities). Reasonably possible change is based on net average movement of foreign currency closing rates for the last five years.

	2017		2016	
	Increase (Decrease) in Exchange Rates	**Increase (Decrease) on Income before Tax**	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Loss before Tax
US$	**₱0.21**	**₱11,348**	₱2.66	₱142,725
	(0.21)	**(11,348)**	(2.66)	(142,725)

The decrease in Philippine Peso to US$ means stronger Philippine Peso against the US$ rates while increase in Philippine Peso to US$ rate means stronger foreign exchange rates against Philippine Peso.

Credit Risk

The Group trades only with recognized, creditworthy third parties. It is Group policy to subject customers who trade on credit terms to credit verification procedures.

Since the Group trades only with recognized third parties, there is no requirement for collateral. Also, the Group has an existing contract or master agreement with its key customers to protect itself from any bad debt losses.

The gross maximum exposure of the Group to credit risk corresponds to the total carrying values of the following financial assets:

	2017	2016
Loans and receivables:		
Cash and cash equivalents[(a)]	**₱2,758,464**	₱2,856,811
Trade and other receivables	**53,643**	45,122
Rental and security deposits[(b)]	**4,624**	4,764
AFS financial assets	**814,982**	231,560
HTM investments	**100,175**	581,388
	₱3,731,888	₱3,719,645

[(a)]Excluding cash on hand amounting to ₱65 and ₱55 as at December 31, 2017 and 2016, respectively.
[(b)]Included under "Other noncurrent assets."

The analysis of the financial assets that were past due but not impaired as at December 31, 2017 and 2016 follows:

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	Total		
Loans and Receivables							
Cash and cash equivalents[(a)]	₱2,758,464	₱–	₱–	₱–	₱–	₱–	₱2,758,464
Trade and other receivables:							
Trade	14,108	–	–	–	–	11,072	25,180
Accrued interest	21,133	–	–	–	–	–	21,133
Due from related parties	–	–	–	15,817	15,817	63,064	78,881
Others	1,313	–	–	1,272	1,272	17,684	20,269
Rental and security deposits[(b)]	4,624	–	–	–	–	–	4,624
AFS Financial Assets	814,982	–	–	–	–	–	814,982
HTM Investments	100,175	–	–	–	–	–	100,175
	₱3,714,799	₱–	₱–	₱17,089	₱17,089	₱91,820	₱3,823,708

[(a)]Excluding cash on hand amounting to ₱65
[(b)]Included under "Other noncurrent assets."

	2016						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	Total		
Loans and Receivables							
Cash and cash equivalents[(a)]	₱2,856,811	₱–	₱–	₱–	₱–	₱–	₱2,856,811
Trade and other receivables:							
Trade	7,700	–	–	8,689	8,689	11,072	27,461
Accrued interest	15,595	–	–	–	–	–	15,595
Due from related parties	–	–	–	11,966	11,966	49,913	61,879
Others	–	–	–	1,172	1,172	17,684	18,856
Rental and security deposits[(b)]	4,764	–	–	–	–	–	4,764
AFS Financial Assets	231,560	–	–	–	–	–	231,560
HTM Investments	581,388	–	–	–	–	–	581,388
	₱3,697,818	₱–	₱–	₱21,827	₱21,827	₱78,669	₱3,798,314

[(a)]Excluding cash on hand amounting to ₱55.
[(b)]Included under "Other noncurrent assets."

The table below shows the credit quality of the financial assets classified as neither past due nor impaired as at December 31, 2017 and 2016:

	2017			2016		
	Neither Past Due nor Impaired			Neither Past Due nor Impaired		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
Loans and Receivables						
Cash and cash equivalents[(a)]	₱2,758,464	₱–	₱2,758,464	₱2,856,811	₱–	₱2,856,811
Trade and other receivables	37,826	–	37,826	23,296	–	23,296
Rental and security deposits[(b)]	4,624	–	4,624	4,764	–	4,764
AFS Financial Assets	814,982	–	814,982	231,560	–	231,560
HTM Investments	100,175	–	100,175	581,388	–	581,388
	₱3,716,071	₱–	₱3,716,071	₱3,697,819	₱–	₱3,697,819

[(a)]Excluding cash on hand amounting to ₱65 and ₱55 as at December 31, 2017 and 2016, respectively.
[(b)]Included under "Other noncurrent assets."

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. Pertains to receivables from counterparties who are not expected by the Group to default in settling its obligation. Thus, credit risk exposure is minimal. Financial assets with high credit quality are normally collected within the credit period and without history of default collection.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk may arise primarily from mismatch of the maturities of financial assets and liabilities.

The Group's objective is to maintain continuity of funding. The Group's liquidity risk management policy is to measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital market and to hold a sufficient level of cash reserves.

The Group monitors its risk to shortage of funds by considering the maturity of both its financial assets and liabilities projected cash flows.

The table below summarizes the maturity profile of the Group's financial assets and liabilities (excluding statutory payables) used to manage liquidity as at December 31, 2017 and 2016 based on contractual undiscounted payments.

	2017					
	Within 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	More than 120 Days	Total
Financial Assets						
Cash and cash equivalents	₱2,758,529	₱–	₱–	₱–	₱–	₱ 2,758,529
AFS financial assets	814,982	–	–	–	–	814,982
Trade and other receivables	53,643	–	–	–	–	53,643
HTM investments	–	–	–	–	100,175	100,175
Rental and security deposits	–	–	–	–	4,624	4,624
Total undiscounted financial assets	3,627,154	–	–	–	104,799	3,731,953
Financial Liabilities						
Trade payables	1,766	–	–	–	–	1,766
Accrued expenses	11,131	–	–	–	–	11,131
Other current liabilities	408	–	–	–	–	408
Dividends payable	–	–	–	–	6,554	6,554
Total undiscounted financial liabilities	13,305	–	–	–	6,554	19,859
Net undiscounted financial assets	₱3,613,849	₱–	₱–	₱–	₱98,245	₱3,712,094

	2016					
	Within 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	More than 120 Days	Total
Financial Assets						
Cash and cash equivalents	₱2,856,866	₱–	₱–	₱–	₱–	₱2,856,866
AFS financial assets	231,560	–	–	–	–	231,560
Trade and other receivables	23,195	–	21,927	–	–	45,122
HTM investments	–	509	–	–	580,879	581,388
Rental and security deposits	–	–	–	–	4,764	4,764
Total undiscounted financial assets	3,111,621	509	21,927	–	585,643	3,719,700
Financial Liabilities						
Trade payables	4,221	–	–	–	1,565	5,786
Accrued expenses	10,252	–	–	–	2,762	13,014
Other current liabilities	18	–	–	–	1,737	1,755
Due to related parties	–	–	–	–	53	53
Dividends payable	–	–	–	–	6,554	6,554
Total undiscounted financial liabilities	14,491	–	–	–	12,671	27,162
Net undiscounted financial assets	₱3,097,130	₱509	₱21,927	₱–	₱572,972	₱3,692,538

Capital Management

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

The Group competes in an industry where opportunities for growth still abound. Projects are selected if their expected returns are higher than cost of capital. Fundings are sourced from a combination of retained earnings, debt and new capital. The Group aims for flexibility in the capital structure to meet changing conditions and adapt with minimum cost and delay. It looks at solvency by keeping its debt capacity within its ability to generate future cash flows.

The Group is not subject to externally imposed capital requirements. The table below summarizes the equity components of the Group.

	2017	2016
Capital stock	**₱1,148,535**	₱1,148,535
Additional paid-in capital	**451,364**	451,364
Parent shares held by a subsidiary	**(1,149,886)**	(1,149,886)
Other equity reserves	**405,598**	386,158
Retained earnings	**2,869,228**	2,867,274
	₱3,724,839	₱3,703,445

Fair Values

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements:

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱2,758,529**	**₱2,758,529**	₱2,856,866	₱2,856,866
AFS financial assets	**814,982**	**814,982**	231,560	231,560
Trade and other receivables	**53,643**	**53,643**	45,122	45,122
HTM investments	**100,175**	**100,175**	581,388	581,388
Rental and security deposits	**4,624**	**4,624**	4,764	4,764
	₱3,731,953	**₱3,731,953**	₱3,719,700	₱3,719,700
Financial Liabilities				
Trade and other payables:				
Dividends	**₱6,554**	**₱6,554**	₱6,554	₱6,554
Trade	**1,766**	**1,766**	5,786	5,786
Accrued expenses	**11,131**	**11,131**	13,014	13,014
Other current liabilities	**408**	**408**	1,808	1,808
	₱19,859	**₱19,859**	₱27,162	₱27,162

** Excluding statutory payables amounting to ₱6,643 and ₱6,482 as at December 31, 2017 and 2016, respectively.*

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

Cash and Cash Equivalents, Trade and Other Receivables, Rental and Security Deposits and Trade and Other Payables (excluding statutory payables). Due to the short-term nature of the financial assets and liabilities, the fair value approximates the carrying amounts at initial recognition.

AFS Financial Assets and HTM Investments. Quoted market prices have been used to determine the fair value of AFS financial assets. This is categorized under Level 1 of the fair value hierarchy.

For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

We have audited the accompanying consolidated financial statements of Paxys, Inc. (the Company) and Subsidiaries as at and for the year ended December 31, 2017, on which we have rendered our report dated March 27, 2018.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Company has 498 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

March 27, 2018
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Paxys, Inc. (the Company) as at and for the year ended December 31, 2017, and have issued our report thereon dated March 27, 2018. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2017 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not part of the basic separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
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Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

March 27, 2018
Makati City, Metro Manila

PAXYS, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Deficit at beginning of year	(₱60,055,876)
Net unrealized foreign exchange gain in 2016	(4,708,697)
Deficit at beginning of year as adjusted	(64,764,573)
Net loss actually realized during the year	(29,692,756)
Unrealized foreign exchange gain in 2016 realized in 2017	4,708,697
Unrealized foreign exchange gain in 2017	124,690
Deficit at end of year	(₱89,623,942)

Reconciliation:	
Deficit at end of year as shown in the separate financial statements	(₱89,748,632)
Unrealized foreign exchange gain in 2017	124,690
Deficit at end of year	(₱89,623,942)

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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Paxys, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017 and notes to consolidated financial statements, including a summary of significant accounting policies, and have issued our report thereon dated March 27, 2018. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules as listed in the Index to the Consolidated Financial Statements, Financial Soundness Indicators and Corporate Structure are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
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March 27, 2018
Makati City, Metro Manila

PAXYS, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements
As at and For the Year Ended December 31, 2017

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D	Intangible Assets - Other Assets	4
E	Long-term Borrowings	N/A
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
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N/A - Not applicable

SCHEDULE A

PAXYS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS

AS AT DECEMBER 31, 2017
(Amounts in Thousands)

Name of issuing entity and association of each issue	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash in Banks			
J.P. Morgan Chase Bank (JPM)	–	₱80,495	₱9
UBS A.G. (UBS)	–	13,571	226
Bank Julius Baer (BJB)	–	11,688	33
BDO Unibank, Inc. (BDO)	–	5,045	22
Bank of the Philippine Islands (BPI)	–	823	4
Security Bank Corporation (SBC)	–	408	3
Metropolitan Bank and Trust Company (MBTC)	–	277	1
		112,307	298
Cash Equivalents			
SBC	–	1,069,413	23,936
Metrobank Card Corporation	–	884,864	25,408
UBS	–	521,274	3,145
JPM	–	170,606	3,149
MBTC	–	–	44
BPI	–	–	43
		2,646,157	55,725
		2,758,464	56,023
Available-for-Sale Financial Assets			
Fixed Income Investment:			
JPM Managed Funds	$3,000	313,067	1,037
BJB	4,750	239,381	2,412
UBS Managed Funds	3,000	152,478	5,577
BPI	–	109,000	805
Investments in Unit Investment Trust Funds - BPI	–	1,056	–
		814,982	9,831
Held-to-Maturity Investments			
UBS A.G. Bonds	$2,000	100,175	6,034
J.P. Morgan Chase Bank Managed Bonds		–	3,039
		100,175	9,073
Trade and Other Receivables			
Accrued interest	–	21,133	–
Due from related parties	–	15,817	–
Trade	–	14,108	–
Others	–	2,585	–
	–	53,643	–
Rental and Security Deposits	–	4,624	–
		₱3,731,888	₱74,927

SCHEDULE B

PAXYS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS AT DECEMBER 31, 2017

(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written-off	Current	Noncurrent	Balance at end of year
Advances to officers and employees	₱176	₱704	₱–	₱–	₱800	₱–	₱800

SCHEDULE C

PAXYS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

(Amounts in Thousands)

Related Parties	Balance at Beginning of Year	Additions*	Amounts Collected	Current	Noncurrent	Balance at end of Year
Due from Related Parties						
Paxys Global Services, Inc.	₱63,311	₱18	₱–	₱63,329	₱–	₱63,329
Scopeworks Asia, Inc.	56,486	6,197	6,061	56,622	–	56,622
Paxys N.V.	17,821	76	–	17,897	–	17,897
Paxys Ltd.	10,904	104	–	11,008	–	11,008
Paxys Global Services Ltd. (ROHQ)	355	73	–	428	–	428
Paxys Global Services Pte. Ltd	243	24	–	267	–	267
	₱149,120	₱6,492	₱6,061	₱149,551	₱–	₱149,551

** Inclusive of foreign currency translatian adjustments*

SCHEDULE D

PAXYS, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS - OTHER ASSETS

AS AT DECEMBER 31, 2017

(Amounts in Thousands)

Description	Beginning Balance	Additions at Cost	Amortization	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Software and licenses	₱718	₱143	(₱441)	₱–	₱–	₱420

SCHEDULE H

PAXYS, INC. AND SUBSIDIARIES

CAPITAL STOCK

AS AT DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares - "Class **A**" at ₱1 par value	1,800,000,000	1,148,534,866	–	976,466,515	217,800	171,850,551

PAXYS, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

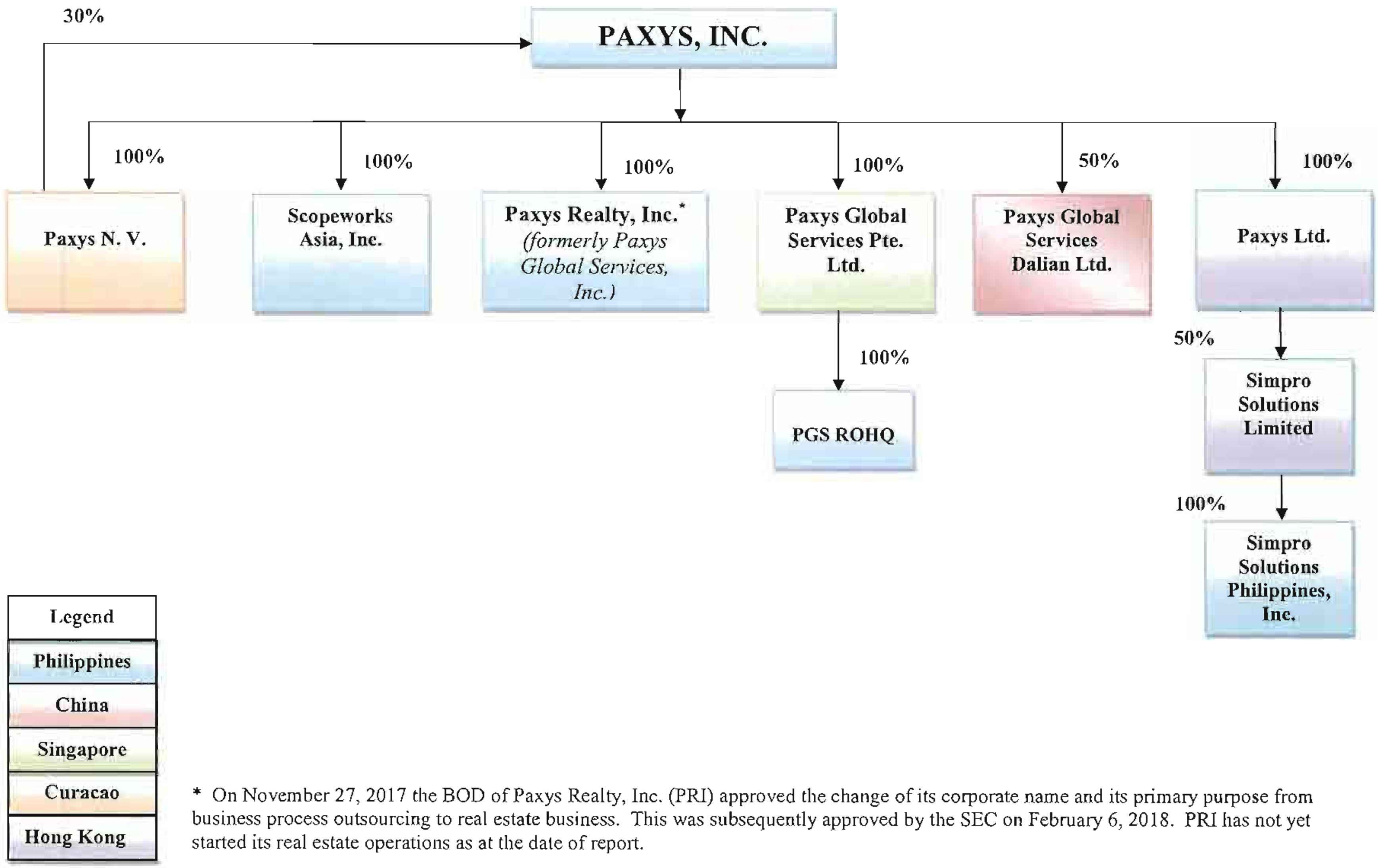
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Liquidity ratio		
Current ratio	**140.20:1**	108.92:1
(current assets over current liabilities)		
Solvency ratio		
Debt to equity ratio	**0.01:1**	0.01:1
(total liabilities over total equity)		
Profitability ratio		
Return on equity	**0.05%**	0.32%
(net income over total equity)		
Earnings before interest, tax, depreciation and amortization margin	**11%**	21%
(EBITDA over total revenue)		
Net income margin	**2.5%**	12.85%
(net income over total revenue)		

PAXYS, INC. AND SUBSIDIARIES

CORPORATE STRUCTURE

AS AT DECEMBER 31, 2017



* On November 27, 2017 the BOD of Paxys Realty, Inc. (PRI) approved the change of its corporate name and its primary purpose from business process outsourcing to real estate business. This was subsequently approved by the SEC on February 6, 2018. PRI has not yet started its real estate operations as at the date of report.

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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Paxys, Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2017, and have issued our report thereon dated March 27, 2018. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Group's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
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March 27, 2018
Makati City, Metro Manila

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2017

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary		✓	

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets			✓
	Financial Instruments: Classification and Measurement of Financial Liabilities			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Nonfinancial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		