

15 May 2015

**THE PHILIPPINE STOCK EXCHANGE, INC.**

Disclosure Department  
4<sup>th</sup> Floor, Philippine Stock Exchange Centre  
PSE Centre, Exchange Road  
Ortigas Center, Pasig City

Attention: **Ms. JANET ENCARNACION**  
Head, Disclosure Department  
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Subject: **First Quarter Report for 2015**  
**(SEC Form 17-Q)**  
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Gentlemen:

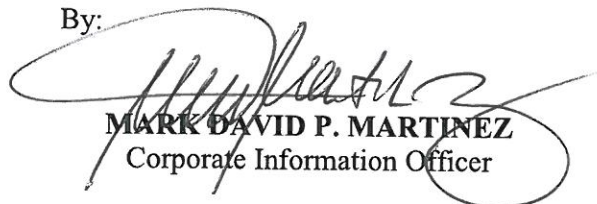
Enclosed is our Quarterly Report for the three (3) months ended 31 March 2015 (SEC Form 17-Q).

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

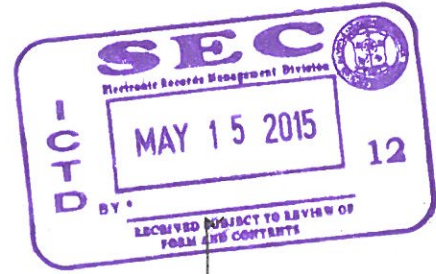
Very truly yours,

**PAXYS, INC.**

By:

  
**MARK DAVID P. MARTINEZ**  
Corporate Information Officer





STAMPS

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## SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q

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

1. For the quarterly period ended: March 31, 2015
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 or organization: Manila, Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of registrant's principal office: 15<sup>th</sup> Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City  
Postal Code: 1226
8. Registrant's telephone number, including area code: (+632) 908-7500
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 Code, or Sections 4 and 8 of the RSA
  - a) **Authorized Capital Stock**

Common shares, P1.00 par value	1,800,000,000 shares
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  - b) **Issued and Outstanding Shares**

Common shares, P1.00 par value	1,148,534,866 shares
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  - c) **Amount of Debt Outstanding as of March 31, 2014**

Short-term and Long-term loans	None
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11. Are any or all of the securities listed on the Philippine Stock Exchange  
Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the Revised Securities Act (RSA) Rule 11(a) – 1 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  No

- (b) Has been subject to such filing requirements for the past 90 days.

Yes  No



**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

The consolidated financial statements include the accounts of Paxys, Inc. (“Paxys” or the “Parent Company”) and the following subsidiaries and joint ventures (collectively referred to as the “Group”):

Subsidiaries	Place of Incorporation	Principal Activity	Percentage of Ownership			
			March 31, 2015		December 31, 2014	
			Direct	Indirect	Direct	Indirect
Paxys N.V.*	Curacao	Investment Holding	100.0%	–	100.0%	–
ScopeWorks Asia, Inc. (SWA)	Philippines	Data Conversion	100.0%	–	100.0%	–
Paxys Global Services, Inc. (PGS)	Philippines	Contact Center	100.0%	–	100.0%	–
Paxys Global Services Pte Ltd (PGSPL)	Singapore	Business Process Outsourcing	100.0%	–	100.0%	–
Paxys Global Services Pte Ltd ROHQ (PGS ROHQ)	Philippines	Shared Services	–	100.0%	–	100.0%
Paxys Ltd.	Hong Kong	Investment Holding	100.0%	–	100.0%	–
Simpro Solutions Ltd.	Hong Kong	Regional Office	–	50%	–	50%
Simpro Solutions Philippines, Inc. (Simpro Phils)	Philippines	Call Center	–	50%	–	50%
Paxys Global Services (Dalian) Ltd.	China	Call Center	50%	–	50%	–

\* Paxys N.V. owns 345,622,477 common shares of the Parent Company representing 30.09% of total outstanding capital stock

The unaudited consolidated financial statements for the three months ended March 31, 2015 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles in the Philippines (“Philippine GAAP”) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS) and are filed as Annex A of this report.

**Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)**

The MD&A is a discussion and analysis of the Group’s financial performance for the three months ended March 31, 2015. The primary objective of this MD&A is to help the readers understand the dynamics of the Group’s business and the key factors underlying the Group’s financial results.

The MD&A for the three months ended March 31, 2015 should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes, and are filed as Annex B of this report.

**Item 3. Aging of Trade Receivables**

Please see Annex C.

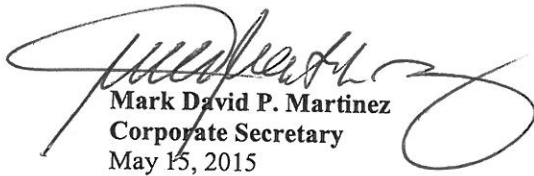
**PART II. SIGNATURES**

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

Registrant: PAXYS, INC.



**Tarcisio M. Medalla**  
**Chairman of the Board and President**  
May 15, 2015



**Mark David P. Martinez**  
**Corporate Secretary**  
May 15, 2015

**PAXYS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
March 31, 2015 and December 31, 2014  
and for the Three Months Ended March 31, 2015 and 2014

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 12)	₱3,083,348	₱3,207,725
Investment in available-for-sale financial assets (Note 4)	322,412	186,355
Trade and other receivables (Note 5 and 12)	55,811	75,853
Other current assets (Note 6)	9,520	8,847
Total Current Assets	3,471,091	3,478,780
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	4,120	4,709
Intangible assets	2,206	2,687
Other noncurrent assets	12,017	11,870
Total Noncurrent Assets	18,343	19,266
	<b>₱3,489,434</b>	<b>₱3,498,046</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 9)	₱44,625	₱47,715
Income tax payable	665	665
Total Current Liabilities	45,290	48,380
<b>Noncurrent Liabilities</b>		
Retirement liability	10,519	10,519
Other noncurrent liabilities	603	603
Total Noncurrent Liabilities	11,122	11,122
Total Liabilities	56,412	59,502
<b>Equity</b>		
Capital stock (Note 10)	1,148,535	1,148,535
Additional paid-in capital (Note 10)	451,364	451,364
Parent shares held by a subsidiary	(1,149,886)	(1,149,886)
Retained earnings	2,861,564	2,868,013
Other equity reserves	121,445	120,518
Total Equity	3,433,022	3,438,544
	<b>₱3,489,434</b>	<b>₱3,498,046</b>

*See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the Three Months Ended March 31, 2015 and 2014  
(Amounts in Thousands except Earnings per share)

	For the Three Months Ended March 31(Unaudited)	
	2015	2014
<b>SERVICE INCOME</b>	<b>₱37,008</b>	<b>₱38,177</b>
<b>COSTS OF SERVICES</b>	<b>(32,539)</b>	<b>(30,970)</b>
<b>GROSS PROFIT</b>	<b>4,469</b>	<b>7,207</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(19,399)</b>	<b>(20,093)</b>
<b>INTEREST INCOME</b>	<b>6,348</b>	<b>11,355</b>
<b>NET FOREIGN EXCHANGE GAIN (LOSS)</b>	<b>(316)</b>	<b>3,898</b>
<b>EQUITY IN NET EARNINGS OF JOINT VENTURES</b>	<b>—</b>	<b>—</b>
<b>OTHER INCOME - net</b>	<b>2,449</b>	<b>1,579</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(6,449)</b>	<b>3,946</b>
<b>PROVISION FOR INCOME TAX</b>	<b>—</b>	<b>—</b>
<b>NET INCOME (LOSS)</b>	<b>(₱6,449)</b>	<b>₱3,946</b>
<b>EARNINGS (LOSS) PER SHARE</b>		
Basic/ Diluted Earnings (Loss) Per Share	<b>(₱0.006)</b>	<b>₱0.003</b>

*See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the Three Months Ended March 31, 2015 and 2014**

**(Amounts in Thousands)**

	<b>For the Three Months Ended March 31 (Unaudited)</b>	
	<b>2015</b>	<b>2014</b>
<b>NET INCOME (LOSS)</b>	<b>(₱6,449)</b>	<b>₱3,946</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Translation adjustments during the period	<b>(1,090)</b>	31,783
Unrealized gains on AFS securities	<b>2,017</b>	1,166
<b>Total Other Comprehensive Income</b>	<b>927</b>	<b>32,949</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(₱5,522)</b>	<b>₱36,895</b>

*See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.*



**PAXYS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For The Three Months Ended March 31, 2015 and 2014**

	Total Equity Attributable to Equity Holders of the Parent Company (Unaudited)							
	Capital Stock ₱1 Par Value (Note 10)	Additional Paid-in Capital (Notes 10)	Retained Earnings (Note 10)	Parent shares held by a subsidiary	Cumulative Translation Adjustments	Unrealized gains on AFS gains/losses	Actuarial gains/losses	Total
At January 1, 2015	₱1,148,535	₱451,364	₱2,868,013	(₱1,149,886)	₱119,567	₱2,106	(₱1,155)	₱3,438,544
Total comprehensive loss for the year	-	-	(6,449)	-	(1,090)	2,017	-	(5,522)
At March 31, 2015	₱1,148,535	₱451,364	₱2,861,564	(₱1,149,886)	₱118,477	₱4,123	(₱1,155)	₱3,433,022

	Total Equity Attributable to Equity Holders of the Parent Company (Audited)							
	Capital Stock ₱1 Par Value (Note 10)	Additional Paid-in Capital (Notes 10)	Retained Earnings (Note 10)	Parent shares held by a subsidiary	Cumulative Translation Adjustments	Unrealized gains on AFS gains/losses	Actuarial gains/losses	Total
At January 1, 2014	₱1,071,773	₱451,364	₱2,888,862	₱-	₱100,420	₱800	₱25	₱4,513,244
Total comprehensive loss for the year	-	-	(20,849)	-	19,147	1,306	(1,180)	(1,576)
Acquisition of Parent shares by a Subsidiary	-	-	-	(1,149,886)	-	-	-	(1,149,886)
Collection of subscription receivable	76,660	-	-	-	-	-	-	76,660
Reclassification	102	-	-	-	-	-	-	102
At December 31, 2014	₱1,148,535	₱451,364	₱2,868,013	(₱1,149,886)	₱119,567	₱2,106	(₱1,155)	₱3,438,544

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	<b>For the Three Months Ended</b>	
	<b>March 31 (Unaudited)</b>	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	(P6,449)	P3,946
Interest income	(6,347)	(11,355)
Unrealized foreign exchange gain	272	(2,983)
Depreciation and amortization	1,466	2,461
Gain on disposal of assets	(982)	-
Provision for impairment losses on Input Vat	437	-
Operating loss before working capital changes	(11,603)	(7,931)
Decrease (increase) in:		
Trade and other receivables	20,944	183,835
Other current assets	(673)	(1,279)
Other noncurrent assets	(148)	(74)
Increase (decrease) in:		
Trade and other payables	(3,208)	(6,080)
Accrued retirement	-	12
Other non-current liabilities	-	(9)
Cash generated from operations	5,312	168,474
Interest received	5,008	11,355
Net cash provided (used) by operating activities	10,320	179,829
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment and intangibles	(395)	(290)
Proceeds from disposal	1,100	104
Investment in available-for-sale assets	(134,040)	(1,261)
Net cash provided (used) in investing activities	(133,335)	(1,447)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	(1,362)	36,085
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(124,377)	214,467
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	3,207,725	4,107,099
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P3,083,348</b>	<b>P4,321,566</b>

*See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in Thousands, Except Par Value, Number of Shares and Earnings Per Share)

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**1. 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 (stock symbol: PAX). At present, the Parent Company’s operating subsidiaries provide general transcription, proofreading, data conversion, contact center and back office outsourcing services. As of March 31, 2015, 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. The registered office address of Paxys is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

Statement of Compliance

The unaudited consolidated financial statements for the three months ended March 31, 2015 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles in the Philippines (“Philippine GAAP”) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as at and for the year ended December 31, 2014. In addition, the Group adopted the following new and revised PFRS effective January 1, 2015.

- PAS 36, *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) — These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27) — They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.
- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments) — The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.
- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments) — The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

*Annual Improvements to PFRSs (2010-2012 cycle).* The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition* — The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues.
- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination* — The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets* — The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if such amounts are regularly provided to the chief operating decision maker.
- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables* — The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 24, *Related Party Disclosures – Key Management Personnel* — The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a Company for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

*Annual Improvements to PFRS (2011 to 2013 cycle)*

- Amendments to PFRS 13, *Fair Value Measurement – Portfolio Exception*, clarify that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments 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 Joint Venture, require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify that a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

*Annual Improvements to PFRS (2012 to 2014 cycle):*

- Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should be considered as a continuation of the original plan of disposal rather than a new plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- Amendments to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- Amendments to PAS 19, *Employee Benefits - Regional Marketing Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- Amendments to PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"* clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective for annual periods beginning on or after January 1, 2018 –*

- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiaries	Place of Incorporation	Principal Activity	2015		2014	
			Direct	Indirect	Direct	Indirect
Paxys N.V.*	Curacao	Investment holding	100.0%	–	100.0%	–
ScopeWorks Asia, Inc. (SWA)	Philippines	Data conversion	100.0%	–	100.0%	–
Paxys Global Services, Inc. (PGS)	Philippines	Call Center	100.0%	–	100.0%	–
Paxys Global Services Pte Ltd (PGSPL)	Singapore	Business Process Outsourcing	100.0%	–	100.0%	–
Paxys Global Services Pte Ltd ROHQ (PGS ROHQ)	Philippines	Shared services	–	100.0%	–	100.0%
Paxys Ltd.	Hong Kong	Holding office	100.0%	–	100.0%	–

*\*In October 2014, Paxys N.V. purchased 345,622,477 common shares of the Parent Company representing 30.09% of the total outstanding capital stock of the Parent Company*

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting years as that of the Parent Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany accounts, transactions and balances including intercompany profits, unrealized profits and losses and dividends are eliminated in full in the consolidated financial statements.

Foreign Currency-Denominated Transactions and Translations

The Company's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional and presentation currency. The Philippine peso is the currency of the primary economic environment in which the Company operates. This is also the currency that mainly influences the revenue from and cost of rendering products and services. All the subsidiaries, associates and joint ventures evaluate their primary economic and operating environment and determine their functional currency. Items included in the financial statements of each entity are initially measured using that functional currency.

The functional currency of the Parent Company, SWA, Simpro Philippines, PGS and PGS ROHQ is the Philippine Peso. The functional currency of PGSPL is Singapore Dollar (SG\$). The functional currency of Paxys Ltd., Simpro Solutions Limited and Paxys N.V. is U.S. Dollar (US\$).

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the consolidated statement of income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

*Foreign operations.* On consolidation, the assets and liabilities of foreign operations are translated into Philippine pesos at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit and loss.



#### Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

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

All other assets are classified as noncurrent. A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid deposits 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.

#### Financial Instruments

*Date of Recognition.* The Company recognizes a financial asset and liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Derivative instruments are recognized on a trade date basis.

*Initial Recognition and of Financial Instruments.* All financial assets and financial liabilities are recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale.

This category pertains to the Company's cash and cash equivalents, trade and other receivables (excluding statutory receivables and advances to suppliers and contractors), escrow fund and rental and security deposits.

*Other financial liabilities.* Issued financial instruments or their component where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

This accounting policy applies primarily to the Company's accounts payable and other current liabilities (except for statutory payables and unearned income) and dividends payable.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of property and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes the cost of replacing the part of such property and equipment and borrowing costs for long-term construction projects when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such costs are incurred. Depreciation commences once the property and equipment are available for use and is calculated on a straight-line basis over the estimated useful life of the asset.

#### Other Intangible Assets

Other intangible assets with finite useful lives are composed of the Company's website and software packages. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization expense on intangible assets with finite lives is recognized under "Costs of services" and "General and administrative expenses" accounts in the consolidated statement of income.

#### Interests in Joint Arrangements

The Company has interests in joint arrangements which are classified as joint ventures, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

During the prior years, the Company recognizes its interest in the joint venture using proportionate consolidation method. The Company combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The Company recognizes its interest in joint ventures as an investment and accounts for the investments using the equity method. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

#### Equity

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. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital (APIC).

APIC on stock options represents the cumulative compensation expense recognized from equity-settled share-based payment plan, net of cumulative compensation expense related to exercised and expired stock options.

Retained earnings represent accumulated earnings net of dividends declared.

Other comprehensive income comprise items of income and expense, including reclassification adjustments, that are not recognized in consolidated statement of income as required or permitted by other PFRS.

#### Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete 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. Unallocated items comprise mainly of corporate assets (primarily the Company's main office), main office expenses, and income tax assets and liabilities.

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

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company 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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company 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.

*Equity in Net Earnings (Losses) of Joint Ventures.* The Company recognizes its share in the net income (loss) of joint ventures proportionate to its interest in the joint ventures in accordance with the equity method of accounting for investments.

*Other Income.* Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

#### Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statement of income in the year these are incurred.

#### Leases

*Company as a Lessee.* Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease terms.

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

#### Pensions and other Post-Employment Benefits

*Defined benefit plan.* Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

*Termination benefit.* Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

*Employee Leave Entitlement.* Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in compliance with PFRS requires management to make judgment and estimates that affect certain reported amounts and disclosures. The judgment and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Accordingly, actual results could differ from those estimates, and such estimates will be adjusted accordingly.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgment which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Non-Recognition of Deferred Tax Liability (DTL) on Undistributed Income of Foreign Subsidiary.* Since Paxys N.V., a foreign subsidiary is 100% owned by the Parent, management believes that the Parent Company can control the timing of the dividend distribution, thus, no deferred tax liability was recorded on the undistributed income of Paxys N.V.

*Operating Lease Commitments.* The Company has entered into various lease agreements either as lessor or lessee. Management has determined that the significant risks and rewards are retained by the lessor and accounts for the lease as operating lease.

Rent expense amounted to ₱4.0 million and ₱3.7 million for the period ended March 31, 2015 and 2014, respectively

*Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Parent Company, SWA, PGS and PGS ROHQ has been determined to be the Philippine Peso while Paxys Ltd. and Paxys N.V. is US Dollar (US\$). The functional currency of Paxys A.U., which was disposed in June 2012, is the Australian Dollar (AU\$).

Functional currency is the currency of the primary economic environment in which each of the entities operates. It is the currency that mainly influences the revenue and cost of services.

#### Estimates and Assumptions

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

*Determination of Fair Value of Financial Instruments (Including Derivatives).* PFRS require that certain financial assets and liabilities be carried at fair value. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using degree of judgment 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.

*Estimated Useful Lives of Property and Equipment and Other Intangible Assets with Finite Useful Lives.* The useful life of each of the Company's items of property and equipment and intangible assets with finite useful lives is estimated based on the period 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. There is no change in the estimated useful lives of property and equipment and other intangible assets with finite useful lives in 2015 and 2014.

*Impairment of Trade and Other Receivables.* The Company maintains allowance for doubtful accounts at a level based on the result of the individual and collective assessment. Under the individual assessment, the Company considers the payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, length of the Company's relationship with the customers, average age of accounts and collection experience) of the customers.

Allowance for impairment losses on trade and other receivables amounted to ₱51.7 million and ₱52.9 million as at March 31, 2015 and December 31, 2014, respectively. The carrying values of trade and other receivables amounted to ₱55.8 million and ₱75.9 million as at March 31, 2015 and December 31, 2014, respectively (see Note 5).

*Realizability of Input VAT.* The carrying amount of input tax is reviewed at each reporting date and reduced to the extent that it will be not be utilized. The carrying amount of the asset is reduced through the use of an allowance account.

An increase in provision for potential losses on input tax would increase the Company's recorded expenses and decrease current assets.

The carrying value of input tax, net of allowance, amounted to ₱7.8 million and ₱7.0 million as at March 31, 2013 and December 31, 2014, respectively. Allowance for non-recoverability of Input VAT amounted to ₱50.5 million and ₱50.0 million as at March 31, 2015 and December 31, 2014, respectively.

*Retirement liability.* The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



The retirement liability amounted to ₱10.5 million as at March 31, 2015 and December 31, 2014, respectively.

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4. **Cash and Cash Equivalents and Investment in AFS Financial Assets**

Cash and Cash Equivalents

	March 31, 2015	December 31, 2014
Cash on hand and in banks	₱49,174	₱40,294
Cash equivalents	3,034,174	3,167,431
	<b>₱3,083,348</b>	<b>₱3,207,725</b>

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Investments in AFS Financial Assets

	March 31, 2015	December 31, 2014
Fixed income investment	₱271,674	₱135,753
Investment in Unit Investment Trust Fund (UITF)	50,738	50,602
	<b>₱322,412</b>	<b>₱186,355</b>

Fixed income investments consist of investment in funds managed by an international bank, which invest primarily in funds with absolute return investment strategies, such as fixed income investments. Investments in UITF are invested in local banks.

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5. **Trade and Other Receivables**

	March 31, 2015	December 31, 2014
Trade	₱52,021	₱ 77,677
Advances to related parties	39,014	34,364
Escrow fund	-	-
Other receivables	16,501	16,677
	<b>107,536</b>	<b>128,718</b>
Allowance for impairment losses	<b>(51,725)</b>	<b>(52,865)</b>
	<b>₱55,811</b>	<b>₱75,853</b>

Trade receivables are noninterest-bearing and generally have 30 to 60 day terms. Other receivables are expected to be settled/liquidated within the year.



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6. **Other Current Assets**

This account consists of:

	<b>March 31, 2015</b>	December 31, 2014
Input value-added tax	<b>¥7,843</b>	¥7,030
Advance rentals and other prepayments	<b>1,677</b>	1,817
	<b>¥9,520</b>	¥8,847

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7. **Interests in Joint Venture**

<b>Joint venture</b>	<b>Place of Incorporation</b>	<b>Principal Activity</b>	<b>Percentage of Ownership</b>	
			<b>March 31, 2015</b>	December 31, 2014
PGS Dalian	China	Contact center	<b>50.0%</b>	50.0%
Simpro Solutions Limited	Hong Kong	Contact center	<b>50.0%</b>	50.0%

The Company recognizes its interest in these joint ventures using equity method of accounting.

Investments in joint ventures as at March 31, 2015 and December 31, 2014 are nil. Due to share of accumulated losses, Investment in PGS Dalian and Simpro Solutions Limited already depleted, thus, Paxys did not recognize further losses as of March 31, 2015 and December 31, 2014.

8. **Property and Equipment**

The movement of this account follows:

	March 31, 2015						
Cost	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total	
Balance at beginning of year, as restated	₱108,882	₱7,836	₱161,319	₱11,627	₱16,170	₱305,834	
Additions	220	—	—	175	—	395	
Disposal	—	—	—	—	(2,521)	(2,521)	
Balance at end of year	109,102	7,836	161,319	11,802	13,649	303,708	
<b>Accumulated Depreciation</b>							
Balance at beginning of year, as restated	108,069	7,836	159,704	10,356	15,160	301,125	
Depreciation for the year	151	—	382	321	130	984	
Disposal	—	—	—	—	(2,521)	(2,521)	
Balance at end of year	108,220	7,836	160,086	10,677	12,769	299,588	
<b>Net Book Value</b>	₱882	₱—	₱1,233	₱1,125	₱880	₱4,120	

Property and equipment are depreciated using the economic lives as follows:

Computer equipment	3 to 5 years
Communication equipment	3 to 5 years
Leasehold improvements	5 years or lease term whichever is shorter
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years

		December 31, 2014					
		Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
		<i>(In Thousands)</i>					
<b>Cost</b>							
Balance at beginning of year, as restated		₱145,405	₱12,052	₱167,258	₱19,209	₱17,758	₱361,682
Additions		731	—	416	739	1,035	2,921
Disposal		(37,254)	(4,216)	(6,355)	(8,321)	(2,623)	(58,769)
Balance at end of year		108,882	7,836	161,319	11,627	16,170	305,834
<b>Accumulated Depreciation</b>							
Balance at beginning of year, as restated		143,211	11,938	164,257	17,164	16,601	353,171
Depreciation for the year		2,088	114	1,802	1,513	816	6,333
Disposal		(37,230)	(4,216)	(6,355)	(8,321)	(2,257)	(58,379)
Balance at end of year		108,069	7,836	159,704	10,356	15,160	301,125
<b>Net Book Value</b>		₱813	₱—	₱1,615	₱1,271	₱1,010	₱4,709

## 9. Accounts Payable and Other Current Liabilities

	March 31, 2015	December 31, 2014
Trade payables	₱16,737	₱19,301
Accrued expenses	13,752	14,247
Statutory payables	7,246	7,239
Advances from related parties	53	53
Dividends payable	6,554	6,554
Other current liabilities	283	321
	<b>₱44,625</b>	<b>₱47,715</b>

Trade payables are noninterest-bearing and are normally settled on a 90-day term.

Accrued expenses mainly represent accruals for utilities, communications, and other employee benefits. Statutory payables represent withholding tax payable and other liabilities to the government.

## 10. Stockholders' Equity

### Capital Stock

On June 27, 2008, the Company's Board of Directors authorized and approved the increase in authorized capital stock from ₱1,200 million to ₱1,800 million by way of a stock dividend declaration.

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Cost
At January 1, 2015	1,800,000,000	1,148,534,866	₱1,148,534
<b>At March 31, 2015</b>	<b>1,800,000,000</b>	<b>1,148,534,866</b>	<b>₱1,148,534</b>

### Parent Shares Held by a Subsidiary

In October 2014, Paxys N.V., a wholly-owned subsidiary of the Parent Company, completed the tender offer to acquire 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock.

### Disclosure under SRC Rule 68

In 2004, the principal shareholder of Advanced Contact Solutions, Inc. (ACS), a call center company established in the Philippines on November 27, 2003, acquired a controlling stake in Paxys through a reverse takeover by injecting 100% of ACS into the Company, effectively making Paxys the first call center firm to be listed in the PSE. On October 14, 2005, Securities and Exchange Commission (SEC) approved the Company's application for increase in authorized capital stock from ₱600 million to ₱1.2 billion from which the 300,000,000 rights offering shares were taken.

Paxys has 717 shareholders as of March 31, 2015 and December 31, 2014 of which 113 shareholders own at least 1,000 shares.

### Additional Paid In Capital (APIC)

This account consists of:

Issuance of shares of stocks	₱348,213
Stock options	103,151
	<b>₱451,364</b>

APIC from issuance of shares of stocks represents the excess of paid capital over the par value of capital stock. APIC from stock options represents increase in equity arising from equity-settled share-based payment transactions.

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## 11. Segment Information

The Company'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 markets.

*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 other intangible assets, net of allowances and provision. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities.

*Inter-segment Transactions.* Segment revenues, 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 Company is organized into business units based on their products and services and has four 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.
- Call Center - The call center segment offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing as well as email and web-based tools.
- Others - This segment includes the operations of the Parent Company and its holding companies.

**Business Segment Data**

The following table presents revenues and expenses information and certain assets and liabilities information regarding the business segments for the three months ended March 31, 2015 and 2014:

	March 31, 2015				
	Data Conversion	Call Center	Others	Eliminations	Consolidated
<b>Results of Operations</b>					
Segment revenues from external customers	P37,008	P-	P-	P-	P37,008
Segment expenses	(38,576)	(63)	(13,298)	-	(51,937)
Segment result	(1,568)	(63)	(13,298)	-	(14,929)
Interest income (expense) – net	10	-	6,337	-	6,347
Net Foreign exchange gain (loss)	130	-	(562)	116	(316)
Other segment operating income (expense) – net	1,516	-	933	-	2,449
Net income (loss)	P88	(P63)	(P6,590)	116	(P6,449)
<b>Assets and Liabilities</b>					
Segment assets	P58,433	P699	P5,106,292	(P1,675,990)	P3,489,434
Segment liabilities	(82,798)	(77,595)	(159,220)	263,201	(56,412)
<b>Other Segment Information</b>					
Capital expenditures:					
Property and equipment	P395	P-	P-	P-	P395
Depreciation and amortization	460	-	1,006	-	1,466



	March 31, 2014				
	Data				
	Conversion	Call Center	Others	Eliminations	Consolidated
<b>Results of Operations</b>					
Segment revenues from external customers	P37,497	P2,062	P-	P-	P39,559
Segment expenses	(35,212)	(1,742)	(14,109)	-	(51,063)
Segment result	2,285	320	(14,109)	-	(11,504)
Interest income - net	5	5	11,345	-	11,355
Net Foreign exchange gain (loss)	953	1	3,012	(68)	3,898
Other segment operating income (expense) - net	397	-	55	(255)	197
Net income (loss)	P3,640	P326	P303	(P323)	P3,946
<b>Assets and Liabilities</b>					
Segment assets	P63,539	P9,281	P5,049,325	(P513,020)	P4,609,125
Segment liabilities	(86,438)	(86,462)	(180,896)	294,810	(58,986)
<b>Other Segment Information</b>					
Capital expenditures:					
Property and equipment	P172	P-	P122	P-	P294
Depreciation and amortization	843	358	1,260	-	2,461



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**12. Financial Assets and Financial Liabilities**

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, Trade and Other Payable, and Dividends Payable.* Due to the short-term nature of transactions, the fair value approximates the carrying amounts at initial recognition.

*Refundable Deposits.* The estimated fair values of refundable deposits are based on the discounted values of future cash flows using as discount rate the prevailing MART1 rates that are specific to the tenor of the instruments' cash flows as of financial reporting date. The discount rates used in determining the fair values of refundable deposits of about 3.33% in 2014.

*AFS Investments.* Net asset value per unit have been used to determine the fair value of AFS investments.

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**13. Other Matters**

Detailed schedules have been omitted for purposes of preparing these interim financial statements as allowed by SRC Rule 68.

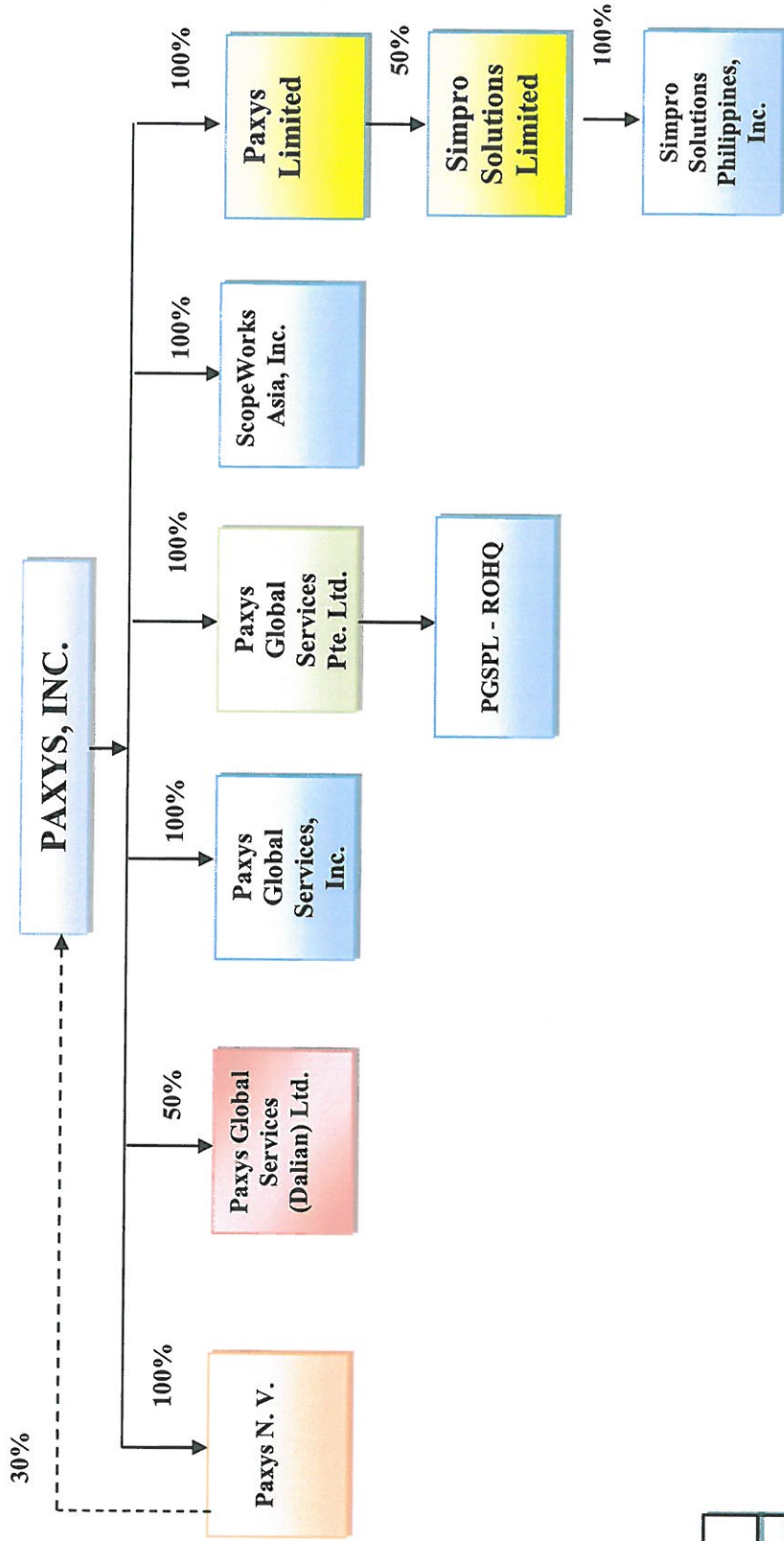
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

**INTRODUCTION**

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of the Group as at and for the three-month period ended March 31, 2015 (with comparative figures as at and for the three-month period ended March 31, 2014). All necessary adjustments to present fairly the consolidated financial condition, results of operations, and cash flows of the Group for the three months ended March 31, 2015, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited financial statements prepared in accordance with generally accepted accounting principles have been omitted.

### Overview of Our Business

Below is the Group's organizational structure as of March 31, 2015:



Legend
Philippines
China
Singapore
Curacao
Hong Kong

Paxys is an investment holding company registered with the SEC in 1997. Through its operating subsidiaries, Paxys has been engaged in diversified services such as business process outsourcing, data conversion. For the last three years, Paxys divested its salary packaging, call center, IT consulting and software solutions business.

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

PGSI is a business process-outsourcing provider for consumers, businesses and institutions. Its primary purpose is to engage in call center business that offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing.

Simpro Philippines is a joint venture company engaged in call center and back office outsourcing activities.

#### **Key Performance Indicators (KPI's)**

The Company's management uses the following KPIs:

- 1) Net Service Income : Service Income less discounts and allowances
- 2) Gross Profit Margin : Gross profit/Service Income
- 3) EBITDA : Earnings Before Interest, Taxes, Depreciation and Amortization
- 4) EBITDA Margin : EBITDA/Service Income
- 5) Income from Operations : Gross Profit – Operating Expenses
- 6) Net Income Margin : Net Income/Service Income
- 7) Return on Equity :  $\text{Net Income}/(\text{Equity end} + \text{Equity beg} - \text{Net Income})/2$
- 8) Current Ratio : Current Assets/Current Liabilities

**RESULTS OF OPERATIONS AND DISCUSSION OF KPIS**

Summary Profit and Loss  
For the Three Months Ended March 31  
In Thousands Pesos

	<b>Three Months (January - March)</b>				<b>% Change</b>
	2015		2014		
	Amount	% to Sales	Amount	% to Sales	
Service Income	₱37,008	100%	₱38,177	100%	(3%)
Gross Profit	4,469	12%	7,207	18%	(38%)
Loss from Operations	(14,930)	(40%)	(12,886)	(34%)	(16%)
Net Income (Loss)	(6,449)	(17%)	3,946	10%	(263%)
EBITDA	(4,983)	(13%)	6,407	17%	(178%)

FINANCIAL PERFORMANCE HIGHLIGHT

The Group generated ₱37.0 million revenues in the first quarter of 2015. This is 3% or ₱1.2 million lower compared to ₱38.2 million revenue of the same period in prior year primarily due to the discontinued operations of PGSI.

The Gross Profit likewise decreased by 38% or ₱2.7 million from ₱7.2 million in Q1 2014 to ₱4.5 million in Q1 2015. The decrease mainly came from the lower revenue plus higher direct costs due to contracted services in 2015.

At the operating level, the Group incurred higher losses from ₱12.9 million in prior year to ₱14.9 million this year or 16% decrease due to additional personnel. Further, the Group generated lower Interest Income from ₱11.3 million for the same period in 2015 to ₱6.3 million in the first quarter of 2015.

Overall, the Group incurred a Net Loss of ₱6,449 as at March 31, 2015 or 263% below the ₱3,946 income in the same period of prior year.

## FINANCIAL CONDITION

<i>In Thousands Pesos</i>	March 31, 2015	December 31, 2014	% Change
Balance Sheet Data:			
Total Current Assets	₱3,471,091	₱3,478,780	(0.2%)
Total Noncurrent Assets	18,343	19,266	(4.8%)
Total Assets	3,489,434	3,498,046	(0.2%)
Total Current Liabilities	45,290	48,380	(6.4%)
Total Noncurrent Liabilities	11,122	11,122	0.0%
Total Equity	3,433,022	3,438,544	(0.2%)

The major movements in the consolidated statements of financial position items from December 31, 2014 to March 31, 2015 are as follows:

- Cash and Cash equivalents decreased by 4% or ₱124 million mainly due to additional investments in Available for Sale assets, particularly in fixed income investments at an international bank. At the total Asset level, this had no significant impact as the decrease has been offset by the increase in Investment in AFS. The ₱8.6 million decrease in the Total Assets in Q1 2014 versus Total Assets as of December 31, 2014 pertains mainly to the movement in Cash and Accounts Receivable accounts which were utilized for the usual expenditures of the Group.
- Accounts payable and other current liabilities decreased ₱3.1 million due to various payments to trade vendors and statutory payments to government.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is the cash generated from operations within the Group. The following are the cash flow movements:

For the Three Months Ended March 31	2015	2014	% change
Net Cash Provided (Used) by Operating Activities	₱10,320	₱179,826	(94%)
Net Cash Provided (Used) by Investing Activities	(133,335)	(1,447)	(91%)

Net Cash provided by operating activities in 2015 is mainly to collection of receivables in SWA while the cash inflow in 2014 is due to the realization of escrow fund to cash and interest income from investment activities.

The net Cash used for investing activities in 2015 pertains to additional investment in funds managed by international bank while the outflow of Cash in 2014 refers to acquisition of fixed assets.

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.



## Financial Ratios

	Mar 31, 2015	Dec 31, 2014	% change
Financial Ratios:			
Current Ratio	76.6:1	71.9:1	7%
Debt to Equity Ratio	0.02:1	0.02:1	(0%)
Return on Equity	(0.2%)	(1%)	(69%)
EBITDA Margin	(13%)	(16%)	169%
Net Profit Margin	(17%)	(14%)	24%

## FINANCIAL RISK

- **Foreign Currency risk**

The Group has transactional currency exposure. Such exposure arises from service income denominated in US\$ and AU\$. Service income of SWA mostly denominated in US\$ in 2015 while 96% US\$ and 4% AU\$ in 2014.

Of the total cash and cash equivalents of the Group consist, 67% and 0.11% were denominated in US\$ and AU\$, respectively, as at March 31, 2015.

In view of the above, the Company's consolidated financial performance and financial position can be affected significantly by movements in the US\$/Philippine Peso and AU\$/Philippine Peso exchange rates.

The Company's primary strategy to address its forex exposures is to make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results. These hedging instruments or derivatives are not used for trading or speculative purposes. Counterparties to derivative contracts are carefully selected from major financial institutions which are assessed based on their industry standing and historical performance. As of March 31, 2015 and December 31, 2014, the Group doesn't have outstanding derivative instruments.

The Company adopted the following rates of exchange in translating foreign currency statement of comprehensive income and statement of financial position as of March 31, 2015 and December 31, 2014:

	March 31, 2015		December 31, 2014	
	Closing	Average	Closing	Average
Philippine Peso to 1 unit of foreign currency:				
United States Dollar ( US\$)	44.70	44.47	44.72	44.66
Australian Dollar (AU\$)	34.24	34.41	36.21	36.86

- **Credit Risk**

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject 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 customer to protect itself from bad debt losses.

**OTHER MATTERS**

- a. There were no known events that trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- b. There were no material commitments of the Company.
- c. There were no material off-statement of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.
- d. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows.
- e. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- f. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favourable or an unfavourable impact on net sales or revenue or income from continuing operation.
- g. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".
- h. The effects of seasonality or cyclicity on the operations of the Company's business are not material.
- i. 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.

**Key Variable and Other Quantitative and Factors**

*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.

**Paxys, Inc. and Subsidiaries**  
**Consolidated Trade Receivables Aging Schedule**  
**As of March 31, 2015**  
*(Amounts in Thousands)*

Types of customers	Age of Receivables					Total
	<30 days	31-60 days	61-90 days	90-120 days	>120 days	
Local	₱486	₱-	₱-	₱-	₱26,989	₱27,475
International	12,767	-	-	-	11,779	24,546
	13,253	-	-	-	38,768	52,021
Allowance for impairment losses	-	-	-	-	(14,186)	(14,186)
	₱13,253	₱-	₱-	₱-	₱24,582	₱37,835